



LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED

六福集團(國際)有限公司

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)



INTERIM REPORT

1999-2000

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INTERIM RESULTS

The Board of Directors (the "Board") of Luk Fook Holdings (International) Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 1999 together with comparative figures for the corresponding period in 1998 as follows:

	Notes	Six months ended 30 September	
		1999 HK\$'000	1998 HK\$'000
Turnover		<u>781,098</u>	<u>652,085</u>
Operating profit before taxation		37,396	21,434
Taxation	1	<u>(6,616)</u>	<u>(3,858)</u>
Profit after taxation		30,780	17,576
Minority interests		(374)	155
Profit attributable to shareholders		<u>30,406</u>	<u>17,731</u>
Interim dividend		<u>11,400</u>	<u>9,120</u>
Earnings per share	2	<u>6.67 cents</u>	<u>3.89 cents</u>

Notes:

1. Taxation

This represents Hong Kong profits tax calculated at 16% (1998: 16%) on the estimated assessable profit for the period.

2. Earnings per share

(a) The calculation of basic earnings per share is based on the unaudited consolidated profit attributable to shareholders of HK\$30,406,000 (1998: HK\$17,731,000) and on the weighted average of 456,000,743 (1998: 456,000,425) shares in issue during the period.

(b) The Company has no potential dilutive ordinary shares that were outstanding during the two periods ended 30 September 1999 and 1998 respectively.

INTERIM DIVIDEND

The Board resolved to declare an interim dividend of 2.5 cents (1998: 2 cents) per share for the financial year ending 31 March 2000. The interim dividend will be payable on 5 January 2000 to shareholders whose names appear on the Register of Members of the Company on 31 December 1999.

REVIEW OF OPERATIONS AND PROSPECTS

Financial Results

Turnover of the Group for the period ended 30 September 1999 was approximately HK\$781,098,000, representing an increase of 19.8%, when compared with the corresponding period in 1998. Profit attributable to shareholders amounted to approximately HK\$30,406,000, up 71.5% from that of the previous year. Earnings per share were 6.67 cents. The Group had cash on hand of approximately HK\$50 million as at 30 September 1999.

Expansion of Retail Outlets

Following the establishment of additional presence in Mongkok in October 1999, the Group further expanded its retail chain to prime locations on Hong Kong Island and opened the 18th retail outlet at its self-owned property in North Point. Although the Group opened new retail shops even when economy was not well recovered, the Group managed to maintain the set-up cost at a relatively low level through various strategies such as the reallocation of manpower, redistribution of inventories and rent negotiation.

Product Development

To welcome the Millennium, professional designers of Luk Fook have designed several new products to celebrate the festivity. The new product line, Ice 2000 diamond jewellery series, was launched in October 1999 and received encouraging responses, especially from the younger consumers.

During the period, Luk Fook's innovative, trendy and elegant designs were awarded four district international prizes at the "Taiwan Hong Kong Jadeite Design Competition" this year. The awards show the international standard of Luk Fook's jewellery and the leading status of Luk Fook in the Chinese community. The new Millennium gold series, which received awards from World Gold Council, also reflect the Group's significant status in innovative design.

Road Shows

Road shows are one of the strengths of Luk Fook. For the period under review, Luk Fook has organized various stand-alone road shows in different district of Hong Kong in order to further boost its brand name and project its corporate image. In April 1999, a lucky draw "六福1揭2中3卡獎" was held in Tuen Mun Plaza. In September 1999 "六福八週年攜手同向前" was held in New Town Plaza in Shatin and the Group also participated in the Hong Kong Jewellery Fair in Hong Kong Convention and Exhibition Centre. In November 1999, "六福美鑽情繫千禧香港新世紀六福陪伴您珠寶首飾展銷會" was held in Tuen Mun Plaza. The presence of Luk Fook there not only received encouraging responses, but also boosted up sales of gold jewellery and gem-set jewellery on site.

Promotion and Sponsorship

As a famous retail brand name, Luk Fook understands the importance of promotion activities which help to strengthen its corporate image. This year, Luk Fook continued to be invited as the sole jewellery sponsor of various well-known beauty pageant campaigns including Miss Hong Kong Pageant 1999, Miss Asia Pageant 1999 and Miss Chinese Pageant of Greater Toronto in Canada. A NEW TVC "Love 2000" 情繫千禧 was launched in November 99 which featured "友情·愛情·親情" & "事業" 篇. This propaganda has created a new lift-face of Luk Fook's image amongst the consumers.

Jewellery Business Rebound

According to a recent government statistics concerning Hong Kong retail industry, overall sales for the local retail industry increased slightly when compared with that of last year. Among all the retail businesses, sales for jewellery, motor and durable consumer goods rebounded more quickly after months of sluggish performance. The improved performance is partly attributable to a considerable increase in the number of visitors from the People's Republic of China (the "PRC"). Based on these figures and the Group's business performance during the period under review, the Group had an optimistic view on the jewellery retail industry in future.

WTO & PRC Market Development

In November 1999, PRC and the United States of America ("USA") established agreement for the PRC's admission to the World Trade Organization ("WTO"). In this connection, it is believed that PRC's retail market for gold products may be opened soon after the PRC's admission to the WTO. In view of this opportunity, the Group has been acquiring experience and knowledge concerning the PRC market and customers by providing technical support to various jewellery retailers in major cities in the PRC. At present, Luk Fook is providing technical support to seven jewellery retailers in Guangzhou, Shanghai, Suzhou and Chongqing. The experience and exposure enable the Group to collect valuable market information such as consumer behavior in these major cities and ultimately extend its presence in the PRC. In future, the Group will seek more opportunities to develop the market.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 30 September 1999, the interests of the directors, chief executives and their associates in the issued share capital of the Company as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") or as notified to the company were as follows:

Name	Number of shares held and nature of interest				Total
	Personal	Family	Corporate	Others	
Mr. WONG Wai Sheung	1,070,000	-	-	7,606,706 <i>Note (a)</i>	8,676,706
Mr. TSE Moon Chuen	452,915	-	-	-	452,915
Mr. POON Kam Chi	-	-	-	-	-
Mr. LAU Kwok Sum	35,294	-	-	-	35,294
Mr. WONG Koon Cheung	948,962	-	-	-	948,962
Mr. LEE Shu Kuan	1,638,501	441,390 <i>Note (d)</i>	2,167,201 <i>Note (b) & (c)</i>	-	4,247,092
Mr. CHAN Wai	1,638,744	-	-	-	1,638,744
Ms YEUNG Po Ling, Pauline	1,139,363	-	-	-	1,139,363

Notes:

- Mr WONG Wai Sheung and his family are discretionary beneficiaries of the Wong's family Trust (the "Trust"). The Trust is the beneficial owner of the entire issued share capital of Kwai Kee Cheung Jewellery & Goldsmith Co., Ltd. which is the beneficial owner of 7,607,706 shares of the Company.
- Mr Lee Shu Kuan holds 33.3% of the entire issued share capital of Wah Hang Kimon Investments Limited which in turn holds 211,201 shares of the Company.
- Mr Lee Shu Kuan holds 51% of the entire issued share capital of Wah Hang Kimon Holdings Limited which in turn holds 1,956,000 shares of the Company.
- Mr Lee Shu Kuan's spouse, Ms Fong Chi Ling, holds 441,390 shares of the Company.

Save as disclosed above and those disclosed under "Substantial shareholders' interests" below, as at 30 September 1999 none of the directors or their associates had any interests in the share capital of the Company or its associated corporations as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

The register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance shows that as at 30 September 1999, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital.

Name of shareholder	Number of shares held
Luk Fook (Control) Limited	277,458,000

Mr WONG Wai Sheung, Mr TSE Moon Chuen, Mr POON Kam Chi, Mr LAU Kwok Sum, Mr WONG Koon Cheung, Mr CHAN Wai, Mr LEE Shu Kuan and Ms YEUNG Po Ling, Pauline have interests in Luk Fook (Control) Limited.

Save as disclosed above, the Company is not aware of any other person having an interest in shares representing 10% or more of the issued share capital of the Company as at 30 September 1999.

YEAR 2000

The possible problem arising from Y2K problems is due to the fact that some computer systems are programmed to identify years only by two digits and so cannot tell the difference between 1900 and 2000. As both 1900 and 2000 will appear as "year 00" to these computers, confusion will result in data compilation.

As mentioned in the Annual Report 1998/99, a committee formed by experienced computer staff and headed by a information technology consultant has conducted a comprehensive inspection on the Group's computer systems, and found that the Y2K issue will not create deep impact to the Group's equipment or operations.

By the end of September 1999, the Group has resolved the Y2K problem as planned. However, the Group has also formulated contingency plans to prepare for emergency. The plan enables the Group to switch from the existing computer systems to modified manual systems which incorporate the use of handy computers.

CLOSURE OF REGISTER OF MEMBERS

The Register of members of the Company will be closed from 30 December 1999 to 31 December 1999, 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 29 December 1999.

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WARRANTS

During the period, 400 warrants were exercised at an exercise price of HK\$1.20 each to subscribe for 400 shares. The remaining 9,199,150 warrants expired on 31 May 1999.

SHARE OPTION SCHEME

The Company has a share option scheme under which the directors may, at their discretion, grant employees, including any executive directors, of the Company and/or any of its subsidiaries options to subscribe for shares of the Company, subject to the terms and conditions stipulated. As at 30 September 1999, no share options have been granted.

AUDIT COMMITTEE

In compliance with paragraph 14 of the Code of Best Practice, the Board has established an audit committee comprising two independent non-executive directors, namely, Mr Hui Chiu Chung and Mr Chiu Wai Mo, to monitor the accounting and financial reporting practices and internal control systems of the Company.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 1999.

By Order of the Board
Wong Wai Sheung
Chairman

Hong Kong, 15 December 1999

The full text of the Company's announcement of interim results can be accessed through internet at:

<http://www.irasia.com/listcohk/lukfook>