



# LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED

(Incorporated in Bermuda with limited liability)

Website: [www.lukfook.com.hk](http://www.lukfook.com.hk)

(Stock Code: 590)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007

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 2007 together with comparative figures for the corresponding period in 2006 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007

	Note	Unaudited	
		For the six months ended 30th September	
		2007	2006
		HK\$'000	HK\$'000
Turnover	4	1,360,565	1,403,982
Cost of sales	5	<u>(1,038,952)</u>	<u>(1,140,882)</u>
Gross profit		321,613	263,100
Other income	4	43,751	20,869
Selling and distribution costs	5	(207,838)	(163,957)
Administrative expenses	5	(20,090)	(18,101)
Other gains	6	<u>3,614</u>	<u>2,688</u>
Operating profit		141,050	104,599
Finance costs		<u>(158)</u>	<u>(110)</u>
Profit before taxation		140,892	104,489
Taxation	7	<u>(20,014)</u>	<u>(18,969)</u>
Profit for the period		<u>120,878</u>	<u>85,520</u>
Profit attributable to:			
Equity holders of the Company		118,496	84,776
Minority interests		<u>2,382</u>	<u>744</u>
		<u>120,878</u>	<u>85,520</u>
Earnings per share for profit attributable to equity holders of the Company, expressed in Hong Kong cents per share	8		
– Basic		<u>24.06 cents</u>	<u>17.29 cents</u>
– Diluted		<u>24.06 cents</u>	<u>17.29 cents</u>
Dividends	9	<u>49,251</u>	<u>34,476</u>

**CONDENSED CONSOLIDATED BALANCE SHEET**

AS AT 30TH SEPTEMBER 2007

		<b>Unaudited</b> <b>As at</b> <b>30th September</b> <b>2007</b> <b>HK\$'000</b>	<b>Audited</b> <b>As at</b> <b>31st March</b> <b>2007</b> <b>HK\$'000</b>
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment		112,839	103,130
Leasehold land and land use rights		8,246	8,169
Trading licence		1,080	1,080
Rental deposits		21,557	21,915
Deferred income tax assets		9,727	7,468
		<u>153,449</u>	<u>141,762</u>
Current assets			
Inventories		930,268	751,854
Trade receivables	10	36,314	19,318
Deposits, prepayments and other receivables		44,159	32,561
Bank balances and cash		136,311	174,534
		<u>1,147,052</u>	<u>978,267</u>
Total assets		<u><b>1,300,501</b></u>	<u><b>1,120,029</b></u>
<b>EQUITY</b>			
Capital and reserves attributable to the Company's equity holders			
Share capital		49,250	49,250
Share premium		58,884	58,884
Reserves		761,863	687,786
Proposed dividends		49,251	54,176
		<u>919,248</u>	<u>850,096</u>
Minority interests		15,292	12,789
Total equity		<u><b>934,540</b></u>	<u><b>862,885</b></u>
<b>LIABILITIES</b>			
Non-current liabilities			
Deferred income tax liabilities		105	129
Current liabilities			
Trade and other payables	11	241,744	227,304
Taxation payable		51,112	29,711
Short-term bank loans, unsecured		73,000	—
		<u>365,856</u>	<u>257,015</u>
Total liabilities		<u><b>365,961</b></u>	<u><b>257,144</b></u>
Total equity and liabilities		<u><b>1,300,501</b></u>	<u><b>1,120,029</b></u>
Net current assets		<u><b>781,196</b></u>	<u><b>721,252</b></u>
Total assets less current liabilities		<u><b>934,645</b></u>	<u><b>863,014</b></u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007**

	Unaudited					Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000	Subtotal HK\$'000	Minority interests HK\$'000	
<b>For the period ended</b>						
<b>30th September 2007</b>						
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>
<b>For the period ended</b>						
<b>30th September 2006</b>						
As at 1st April 2006	48,794	57,789	608,581	715,164	13,028	728,192
Exchange differences	–	–	1,247	1,247	–	1,247
Issue of shares	456	1,095	–	1,551	–	1,551
Profit for the period	–	–	84,776	84,776	744	85,520
Dividends paid	–	–	(34,476)	(34,476)	–	(34,476)
Repayment of advance from minority interests	–	–	–	–	(980)	(980)
Advance to minority interests in proportion to their interests in subsidiary	–	–	–	–	(1,470)	(1,470)
As at 30th September 2006	<u>49,250</u>	<u>58,884</u>	<u>660,128</u>	<u>768,262</u>	<u>11,322</u>	<u>779,584</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 retailing and wholesaling of gold jewellery and gold ornaments, gem-set jewellery and gemstones and other accessory items.

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 2007 is unaudited and has been reviewed by the audit committee of the Company and approved for issue by the board of directors on 17th December 2007.

**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 2007 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 2007.

**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 2007, except as mentioned below.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31st March 2008:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of the above standards and interpretations has no material financial impact to the Interim Financial Information.

The following new standard and interpretation, which are relevant to the Group, have been issued but are not effective for 2007/2008 and have not been early adopted by the Group:

HKFRS 8	Operating Segments
HK(IFRIC)-Int 12	Service Concession Arrangements

The adoption of these new standard or interpretation has no material impact to the Interim Financial Information.

#### 4 Turnover, other income and segment information

	For the six months ended 30th September	
	2007	2006
	HK\$'000	HK\$'000
Turnover		
Sales of goods	1,360,565	1,403,982
Other income		
Quality control service income	26,136	11,164
Consultancy service income	5,845	6,196
Others	11,770	3,509
	<u>43,751</u>	<u>20,869</u>
Turnover and other income	<u><u>1,404,316</u></u>	<u><u>1,424,851</u></u>

Turnover represents invoiced sales of goods and includes an amount of HK\$222,827,000 (2006: HK\$381,013,000) 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 mainly organised 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	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	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	1,025,429	751,111	110,668	90,963	–	–	–	–	1,136,097	842,074
– Sales of scrap gold and platinum	–	–	222,827	561,558	–	–	–	–	222,827	561,558
– Others	–	–	–	–	1,641	350	–	–	1,641	350
	<u>1,025,429</u>	<u>751,111</u>	<u>333,495</u>	<u>652,521</u>	<u>1,641</u>	<u>350</u>	<u>–</u>	<u>–</u>	<u>1,360,565</u>	<u>1,403,982</u>
Inter-segment sales	34,069	24,534	362,605	247,698	–	–	(396,674)	(272,232)	–	–
Other income from external customers	221	67	41,482	17,693	2,048	3,105	–	–	43,751	20,865
Inter-segment other income	–	–	–	–	298	287	(298)	(287)	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>298</u>	<u>287</u>	<u>(298)</u>	<u>(287)</u>	<u>–</u>	<u>–</u>
Total	<u>1,059,719</u>	<u>775,712</u>	<u>737,582</u>	<u>917,912</u>	<u>3,987</u>	<u>3,742</u>	<u>(396,972)</u>	<u>(272,519)</u>	<u>1,404,316</u>	<u>1,424,847</u>
Segment results	<u>81,934</u>	<u>61,664</u>	<u>83,374</u>	<u>58,380</u>	<u>1,755</u>	<u>2,651</u>	<u>(10,943)</u>	<u>(4,264)</u>	<u>156,120</u>	<u>118,431</u>
Interest income									1,233	893
Unallocated costs									(16,303)	(14,725)
Operating profit									141,050	104,599
Finance costs									(158)	(110)
Profit before taxation									140,892	104,489
Taxation									(20,014)	(18,969)
Profit for the period									<u>120,878</u>	<u>85,520</u>

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

	Retailing		Manufacturing and wholesaling		Other operations		Eliminations		Group	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation										
– allocated	8,981	5,838	4,222	2,848	7	94	–	–	13,210	8,780
– unallocated	–	–	–	–	–	–	–	–	2,081	1,945
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>15,291</u>	<u>10,725</u>
Amortisation										
– allocated	8	–	69	61	4	11	–	–	81	72
– unallocated	–	–	–	–	–	–	–	–	6	6
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>87</u>	<u>78</u>

The segment assets and liabilities as at 30th September 2007 and 31st March 2007, and capital expenditure of each of the six months ended 30th September 2007 and 2006 are as follows:

	Retailing		Manufacturing and wholesaling		Other operations		Eliminations		Group	
	As at 30th September 2007	As at 31st March 2007	As at 30th September 2007	As at 31st March 2007	As at 30th September 2007	As at 31st March 2007	As at 30th September 2007	As at 31st March 2007	As at 30th September 2007	As at 31st March 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>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	824,357	722,486	802,212	830,096	8,617	12,621	(404,971)	(518,920)	1,230,215	1,046,283
Unallocated assets									70,286	73,746
Total assets									<u>1,300,501</u>	<u>1,120,029</u>
Segment liabilities	(549,392)	(640,282)	(112,526)	(99,811)	(1,890)	(1,651)	404,971	518,922	(258,837)	(222,822)
Unallocated liabilities									(107,124)	(34,322)
Total liabilities									<u>(365,961)</u>	<u>(257,144)</u>

For the six months ended 30th September

	Retailing		Manufacturing and wholesaling		Other operations		Eliminations		Group	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure										
– allocated	19,412	11,915	2,456	9,568	–	–	–	–	21,868	21,483
– unallocated									1,625	1,071
									<u>23,493</u>	<u>22,554</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

	Turnover		Total assets		Capital expenditure	
	For the six months ended 30th September		As at 30th September	As at 31st March	For the six months ended 30th September	
	2007	2006	2007	2007	2007	2006
	<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	1,187,934	1,344,188	915,576	809,032	18,151	9,899
PRC	113,722	7,911	319,513	252,396	4,029	10,453
Other countries	58,909	51,883	65,412	58,601	1,313	2,202
	<u>1,360,565</u>	<u>1,403,982</u>	<u>1,300,501</u>	<u>1,120,029</u>	<u>23,493</u>	<u>22,554</u>

## 5 Expenses by nature

	For the six months ended 30th September	
	2007	2006
	<i>HK\$’000</i>	<i>HK\$’000</i>
Cost of inventories sold	1,038,952	1,140,882
Operating lease rentals in respect of land and buildings	58,490	49,514
Depreciation of property, plant and equipment	15,291	10,725
Amortisation of leasehold land and land use rights	87	78
Others	154,060	121,741
Total cost of sales, selling and distribution costs and administrative expenses	<u>1,266,880</u>	<u>1,322,940</u>



**For the six months ended  
30th September**

**2007**                      2006  
*HK\$'000*                      *HK\$'000*

Representing:

Cost of sales	1,038,952	1,140,882
Selling and distribution costs	207,838	163,957
Administrative expenses	20,090	18,101
	1,266,880	1,322,940
	1,266,880	1,322,940

**6 Other gains**

**For the six months ended  
30th September**

**2007**                      2006  
*HK\$'000*                      *HK\$'000*

Interest income	1,233	893
Net exchange gain	1,948	513
Write back of provision for slow-moving inventories	433	1,282
	3,614	2,688
	3,614	2,688

**7 Taxation**

Hong Kong profits tax has been provided at the rate of 17.5% (For the six months ended 30th September 2006: 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**

**2007**                      2006  
*HK\$'000*                      *HK\$'000*

Hong Kong profits tax		
– current	19,134	15,306
– under/(over) provision in prior year	866	(872)
Overseas taxation	2,297	5,497
Deferred taxation	(2,283)	(962)
	20,014	18,969
	20,014	18,969

## 8 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\$118,496,000 (2006: HK\$84,776,000) and the weighted average number of 492,507,850 (2006: 490,238,320) 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\$118,496,000 (2006: HK\$84,776,000) and the weighted average number of 492,507,850 (2006: 490,238,320) 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.

## 9 Dividends

	For the six months ended 30th September	
	2007	2006
	HK\$'000	HK\$'000
2006/2007 final, paid, of HK\$0.11 (2005/2006 final, paid, of HK\$0.07) per ordinary share (note (i))	<u>54,176</u>	<u>34,476</u>
2007/2008 interim, proposed, of HK\$0.10 (2006/2007 interim, paid: HK\$0.07) per ordinary share (note (ii))	<u>49,251</u>	<u>34,476</u>

*Note (i):* At a meeting held on 24th July 2007, the directors declared a final dividend of HK\$0.11 per ordinary share for the year ended 31st March 2007, which was paid during the period and has been reflected as an appropriation of retained earnings for the six months ended 30th September 2007.

*Note (ii):* At a meeting held on 17th December 2007, the directors proposed an interim dividend of HK\$0.10 per ordinary share for the year ending 31st March 2008. 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 2008.

## 10 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 2007 HK\$'000	As at 31st March 2007 HK\$'000
0 – 30 days	36,027	17,951
31 – 60 days	143	933
61 – 90 days	6	55
91 – 120 days	69	168
Over 120 days	69	211
	<u>36,314</u>	<u>19,318</u>

The carrying amounts of trade receivables approximate their fair values.

## 11 Trade and other payables

Included in trade and other payables are trade payables of HK\$135,469,000 and their ageing analysis is as follows:

	As at 30th September 2007 <i>HK\$'000</i>	As at 31st March 2007 <i>HK\$'000</i>
0 – 30 days	97,239	80,352
31 – 60 days	26,668	33,702
61 – 90 days	5,927	5,591
91 – 120 days	3,165	3,360
Over 120 days	2,470	397
	<u>135,469</u>	<u>123,402</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 10.0 HK cents (2006: 7.0 HK cents) per share for the six months ended 30th September 2007. The interim dividend will be payable on 15th January 2008 to shareholders whose names appear on the Registrar of Members of the Company on 4th January 2008.

## INTERIM RESULTS

The total turnover of the Group for the six months ended 30th September 2007 decreased by HK\$43,417,000 to HK\$1,360,565,000 (2006: HK\$1,403,982,000), representing a decrease of 3.1% from the corresponding period of last year. Profit attributable to shareholders was approximately HK\$118,496,000 (2006: HK\$84,776,000) representing a growth of 39.8% from last year. Basic earnings per share were 24.06 HK cents (2006: 17.29 HK cents).

Our retail business contributed HK\$1,025,429,000 to our total turnover, registering an increase of 36.5% from the same period of last year. The impressive performance was largely attributed to the robust retail market resulted from a pick up in local spending as well as the increased spending from the PRC consumers. However, as gold prices experienced relatively mild fluctuations in the six months ended 30th September 2007, the amount of the disposal of gold items from customers and the profits arisen from the trade-in to gold merchants during the review period was substantially reduced as compared to the same period of last year. Accordingly, turnover from the wholesale business recorded a drop of 48.9% from HK\$652,521,000 to HK\$333,495,000.

## **INDUSTRY REVIEW**

With the fast growing economy of the PRC as well as its rising number of affluent population, the PRC consumers have contributed significantly to Hong Kong's retail market since the Individual Visit Scheme was implemented in 2003. In particular, with the surging gold price and the PRC's climbing inflation rate during the period, the PRC consumers were inclined towards buying gold as a kind of investment and as a hedge against inflation. The rise in gold price generally favors local jewelers.

For the first nine months in 2007, tourist arrivals from the PRC accumulated to 11.3 million, representing a growth of 10.9% from the same period of last year. The Group continued to benefit from the growing PRC tourists who spent a great deal of money on purchasing jewellery items in Hong Kong.

## **BUSINESS REVIEW**

### **Hong Kong Market**

For the period ended 30th September 2007, the Group operates a total of 27 shops in Hong Kong. During the period, the Group opened 3 new shops: 2 in Mong Kok and 1 in Causeway Bay. The 3 shops are ideally situated at the heart of Mongkok and Causeway Bay, which are major shopping districts for both local residents and tourists. From the sale performance of our shops in these two districts, we are positive that the new shops will be able to drive further growth and bring satisfactory profit contributions to the Group.

During the period, the Group has refurbished the outlets in Mongkok, North Point, Tsuen Wan and Macau. The renovated shops adopted the same modern design as the rest of other new shops, which aim to give customers a more pleasant environment to shop at Luk Fook.

The Group continued its efforts to market and promote Luk Fook through a range of sponsorship and exhibitions. We sponsored jewellery items in a range of gaming shows, assorted beauty contests in Hong Kong, the PRC and overseas. The Group also placed series of TV advertisements on the main TV channels of Hong Kong and the PRC.

### **PRC Market**

We see enormous potentials for further development in the PRC and are devoted to broadening our retail network in this vast market. During the period, the Group quickened the pace of setting up self-operated shops. 3 self-operated shops were set up in Gansu, Shangdong and Zhejiang provinces. 37 brand shops were also opened, some of which newly arrived at 12 cities that Luk Fook first entered, such as Wuhan in Hubei Province.

The Group's popularity and high brand recognition among PRC consumers proved our strategies to adopt licensing model in the PRC effective and successful.

### **Macau Market**

Macau has become one of the top travel destinations for tourists worldwide. During the period, revenue derived from our two shops in Macau was significantly increased thanks to the flourishing retail industry stimulated by the rapid expanding gaming and tourism sectors.

A new shop was opened in December 2007 in the Grand Canal Shoppes at the Venetian Resort. We believe the new shop is situated at a superb location that would easily reach tourists and shoppers. The new shop will definitely make shopping at Luk Fook an enjoyable shopping experience for customers.

### **OVERSEAS DEVELOPMENT**

Apart from the shops established in Canada and the United States, the Group also sought to explore other potential markets to extend our global reach. After the opening of Luvina Jewelers in California, we have decided to further set our foothold in another US city, New York. Up till the recent months, we have successfully spot out an appropriate location and signed the leasehold contract. The new shop is scheduled to commence operation before 2008.

### **AWARDS**

We endeavor to strengthen our brand management and strive to become the most trusted brand among customers. In recognition of the Group's outstanding sales performance, the Group was ranked one of the top 10 retailers in Hong Kong and received "The 4th Retail Asia Pacific Top 500 Awards (2007)". Organized by Retail Asia in collaboration with Euromonitor International and KPMG, the award was seen as a leading honour as it shows the Group's top performance over other retail companies from 14 economies in the Asia Pacific region.

During the period, the Group gained "The Best Brand Enterprise Award 2007 (Greater China)" organized by Hong Kong Productivity Council for 2 consecutive years, revealing the Group's success in the pursuit of brand excellence. With wide recognition among the PRC consumers, the Group also won "The PRC Consumers' Most Favorable Hong Kong Brands 2007 – Gold Prize" and received "The Most Favorable Brands of the Nation 2007" in a poll organized by JUST Events Limited and the China Enterprise Reputation and Credibility Association (Overseas) Limited.

## **PROSPECTS**

We believe the retail market in Hong Kong and the PRC will continue to be robust. With the huge development potential in the PRC market, broadening our sales network remains our key focus in the following years. We will capitalize on the golden opportunity that Beijing Olympics will bring and proactively search for new spots to expand our network and capture business opportunities.

To maintain our competitive edge in the market and foster our position as a leading jewellery retailer in Hong Kong, we will continue to explore growth opportunities and step up our efforts in providing high quality designs and enriching our product portfolio. We hope to further achieve higher brand recognition among consumers through participating in a wide array of marketing and promotion activities, as we believe it is one of the key factors that helps build a solid customer base for the Group. We also look forward to bringing our presence to new overseas locations and take a further step to realize our long-term goal to become a renowned jeweler around the world.

## **EMPLOYEES**

As at 30th September 2007, the Group had approximately 2,345 employees (including staff and workers) (31st March 2007: 2,124). 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 2007, the Group's cash and bank balances reached approximately HK\$136 million (31st March 2007: HK\$175 million). The Group's debt to-equity ratio at the period-end, being the proportion of total debts of approximately HK\$366 million (31st March 2007: HK\$257 million) against total equity of approximately HK\$919 million (31st March 2007: HK\$850 million), was 39.8% (31st March 2007: 30.2%). During the period, the capital expenditure of the Group was approximately HK\$23.5 million (2006: HK\$22.6 million).

As at 30th September 2007, the Group had banking facilities amounted to approximately HK\$120 million (31st March 2007: HK\$120 million) out of which HK\$73 million (31st March 2007: 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 2007 and 31st March 2007.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of members of the Company will be closed from 4th January 2008 to 7th January 2008, 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 3rd January 2008.

## **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 2007, the audit committee has held several meetings to consider matters including the 2006/07 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 2007, and the Group's IT control environment.

The interim results have been reviewed by external auditors 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 2007.

## **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 2007.

## 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*

17th December 2007

*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. CHIU Wai Mo, Mr. HUI Chiu Chung, and Mr. LO Mun Lam, Raymond (Chairman).*