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六福集團(國際)有限公司

LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED

(於百慕達註冊成立之有限公司)
(Incorporated in Bermuda with Limited Liability)
Stock Code 股份代號 : 0590

INTERIM RESULTS ANNOUNCEMENT FOR THE PERIOD ENDED 30TH SEPTEMBER 2012

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 2012 together with comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2012

		Unaudited	
		for the six months ended	
		30th September	
		2012	2011
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5	5,920,801	5,511,437
Cost of sales	6	(4,644,235)	(4,158,846)
Gross profit		1,276,566	1,352,591
Other income	7	53,792	32,872
Selling and distribution costs	6	(574,039)	(464,430)
Administrative expenses	6	(55,247)	(55,474)
Other losses, net	8	(15,416)	(21,513)
Operating profit		685,656	844,046
Finance income	9	4,634	1,344
Finance costs	9	(311)	–
Share of results of an associate		649	2,623
Profit before income tax		690,628	848,013
Income tax expenses	10	(130,474)	(119,993)
Profit for the period		560,154	728,020

CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)*For the six months ended 30th September 2012*

		Unaudited	
		for the six months ended	
		30th September	
		2012	2011
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to:			
Equity holders of the Company		558,165	719,630
Non-controlling interests		1,989	8,390
		<hr/>	<hr/>
		560,154	728,020
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share for profit attributable to equity holders of the Company during the period	<i>11</i>		
— Basic		HK\$0.95	HK\$1.33
— Diluted		HK\$0.95	HK\$1.33
		<hr/> <hr/>	<hr/> <hr/>

Details of dividends to equity holders of the Company are set out in Note 12.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2012

	Unaudited for the six months ended 30th September	
	2012 HK\$'000	2011 HK\$'000
Profit for the period	<u>560,154</u>	<u>728,020</u>
Other comprehensive income:		
Currency translation differences	<u>3,373</u>	<u>18,150</u>
Other comprehensive income for the period, net of tax	<u>3,373</u>	<u>18,150</u>
Total comprehensive income for the period	<u>563,527</u>	<u>746,170</u>
Attributable to:		
— Equity holders of the Company	<u>561,497</u>	<u>737,285</u>
— Non-controlling interests	<u>2,030</u>	<u>8,885</u>
Total comprehensive income for the period	<u>563,527</u>	<u>746,170</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September 2012

	Unaudited	Audited
	As at	As at
	30th September	31st March
	2012	2012
<i>Note</i>	HK\$'000	HK\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	470,485	395,160
Land use rights	166,910	48,574
Investment properties	62,824	62,253
Interests in an associate	8,816	8,161
Trading licence	1,080	1,080
Rental deposits and prepayments	105,530	64,182
Deferred income tax assets	30,370	29,936
	846,015	609,346
Current assets		
Inventories	4,807,026	4,330,499
Trade receivables	170,543	162,516
Deposits, prepayments and other receivables	145,432	98,043
Amount due from an associate	3,823	–
Cash and cash equivalents	1,052,276	1,538,057
	6,179,100	6,129,115
Total assets	7,025,115	6,738,461
EQUITY		
Capital and reserves attributable to the equity holders of the Company		
Share capital	58,910	58,910
Share premium	2,522,983	2,522,983
Reserves	3,321,812	3,013,631
	5,903,705	5,595,524
Non-controlling interests	50,788	48,758
Total equity	5,954,493	5,644,282

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)*As at 30th September 2012*

		Unaudited	Audited
		As at	As at
		30th September	31st March
		2012	2012
	<i>Note</i>	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		35,040	23,988
Employee benefit obligations		53,921	53,921
		88,961	77,909
Current liabilities			
Trade payables, other payables and accruals	<i>14</i>	828,557	877,089
Amount due to an associate		–	21,039
Current income tax liabilities		153,104	118,142
		981,661	1,016,270
Total liabilities		1,070,622	1,094,179
Total equity and liabilities		7,025,115	6,738,461
Net current assets		5,197,439	5,112,845
Total assets less current liabilities		6,043,454	5,722,191

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2012

	Attributable to equity holders of the Company				Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000	Subtotal HK\$'000		
For the period ended 30th September 2012						
As at 1st April 2012	58,910	2,522,983	3,013,631	5,595,524	48,758	5,644,282
Comprehensive income						
Profit for the period	-	-	558,165	558,165	1,989	560,154
Other comprehensive income						
Currency translation differences	-	-	3,332	3,332	41	3,373
Total other comprehensive income	-	-	3,332	3,332	41	3,373
Total comprehensive income	-	-	561,497	561,497	2,030	563,527
Transaction with owners						
Dividends paid	-	-	(253,316)	(253,316)	-	(253,316)
As at 30th September 2012	58,910	2,522,983	3,321,812	5,903,705	50,788	5,954,493

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(CONTINUED)**

For the six months ended 30th September 2012

	Attributable to equity holders of the Company				Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000	Subtotal HK\$'000		
For the period ended 30th September 2011						
As at 1st April 2011	54,250	1,187,933	2,181,498	3,423,681	34,707	3,458,388
Comprehensive income						
Profit for the period	–	–	719,630	719,630	8,390	728,020
Other comprehensive income						
Currency translation differences	–	–	17,655	17,655	495	18,150
Total other comprehensive income	–	–	17,655	17,655	495	18,150
Total comprehensive income	–	–	737,285	737,285	8,885	746,170
Transaction with owners						
Dividends paid	–	–	(227,853)	(227,853)	–	(227,853)
As at 30th September 2011	54,250	1,187,933	2,690,930	3,933,113	43,592	3,976,705

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th September 2012

	Unaudited	
	for the six months ended	
	30th September	
	2012	2011
	HK\$'000	HK\$'000
Net cash used in operating activities	(1,662)	(347,432)
Net cash used in investing activities	(232,893)	(78,449)
Net cash used in financing activities	(253,627)	(132,853)
Decrease in cash and cash equivalents	(488,182)	(558,734)
Cash and cash equivalents at 1st April	1,538,057	965,892
Exchange differences	2,401	6,048
Cash and cash equivalents at 30th September	1,052,276	413,206

NOTES:

1 GENERAL INFORMATION

Luk Fook Holdings (International) Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the sourcing, designing, wholesaling, trademark licensing and retailing of a variety of platinum and gold jewellerys, gold ornaments, gem-set jewellerys, jadeites, gemstones and other accessory items.

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’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 6th May 1997.

The condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated. The condensed consolidated interim financial information has not been audited and has been approved by the Board of Directors for issue on 28th November 2012.

2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30th September 2012 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st March 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31st March 2012, as described in those annual financial statements.

The following amendments to existing standards are mandatory for the financial year beginning 1st April 2012. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group.

Effective on or after 1st April 2012

HKAS 12 (Amendment)	Deferred tax: recovery of underlying assets
HKFRS 7 (Amendment)	Disclosures — transfers of financial assets

The following new/revised standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1st April 2012 and have not been early adopted.

Not yet effective

HKAS 19 (2011)	Employee benefits ⁽¹⁾
HKAS 27 (2011)	Separate financial statements ⁽¹⁾
HKAS 28 (2011)	Investments in associates and joint ventures ⁽¹⁾
HKAS 32 (Amendment)	Presentation: offsetting financial assets and financial liabilities ⁽²⁾
HKFRS 7 (Amendment)	Disclosures — offsetting financial assets and financial liabilities ⁽¹⁾
HKFRS 9	Financial instruments ⁽³⁾
HKFRS 10	Consolidated financial statements ⁽¹⁾
HKFRS 11	Joint arrangements ⁽¹⁾
HKFRS 12	Disclosure of interests in other entities ⁽¹⁾
HKFRS 13	Fair value measurement ⁽¹⁾

⁽¹⁾ Effective for the Group for annual period beginning on 1st April 2013

⁽²⁾ Effective for the Group for annual period beginning on 1st April 2014

⁽³⁾ Effective for the Group for annual period beginning on 1st April 2015

The Group plans to adopt the above new/revised standards and amendments to existing standards when they become effective and are expected to have no material impact to the Group's financial statements.

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st March 2012.

5 SEGMENT INFORMATION

The chief operating decision-makers ("CODM") has been identified collectively as the executive directors and senior management. CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

CODM considers the business by nature of business activities and assesses the performance of the following operating segments:

- i. Retailing — Hong Kong, Macau and overseas
- ii. Retailing — The People's Republic of China ("PRC")
- iii. Wholesaling
- iv. Licensing

CODM assesses the performance of the operating segments based on measure of segment results. Finance income and costs, corporate income and expenses are not included in the results for each operating segment that is reviewed by the CODM. Other information provided to the CODM is measured in a manner consistent with that in the condensed consolidated interim financial information.

Assets of reportable segments exclude interests in an associate, certain leasehold land and buildings, investment properties, deferred income tax assets and corporate assets, all of which are managed on a central basis. These are part of the reconciliation to total assets of the condensed consolidated balance sheet.

Sales to external customers are after elimination of inter-segment sales. Sales between segments are carried out at mutually agreed terms. The revenue from external parties, assets and liabilities, reported to the CODM is measured in a manner consistent with that in the condensed consolidated income statement and balance sheet.

	For the six months ended 30th September 2012				
	Retailing — Hong Kong, Macau and overseas HK\$'000	Retailing — The PRC HK\$'000	Wholesaling HK\$'000	Licensing HK\$'000	Reportable segments Total HK\$'000
Revenue					
Sales of merchandises	4,601,023	422,897	3,788,529	–	8,812,449
Inter-segment sales	(254,823)	(14,387)	(3,125,402)	–	(3,394,612)
	<u>4,346,200</u>	<u>408,510</u>	<u>663,127</u>	<u>–</u>	<u>5,417,837</u>
Sales of scrap gold and platinum and gold bullion	–	–	285,569	–	285,569
Sales to external customers	4,346,200	408,510	948,696	–	5,703,406
Royalty income	–	–	–	196,572	196,572
Consultancy fee income	–	–	–	20,823	20,823
Revenue from external customers	<u>4,346,200</u>	<u>408,510</u>	<u>948,696</u>	<u>217,395</u>	<u>5,920,801</u>
Results of reportable segments	<u>447,039</u>	<u>21,885</u>	<u>93,877</u>	<u>140,286</u>	<u>703,087</u>
A reconciliation of results of reportable segments to profit for the period is as follows:					
Results of reportable segments					703,087
Unallocated income					20,625
Unallocated expenses					<u>(38,056)</u>
Operating profit					685,656
Finance income					4,634
Finance costs					(311)
Share of results of an associate					<u>649</u>
Profit before income tax					690,628
Income tax expenses					<u>(130,474)</u>
Profit for the period					560,154
Non-controlling interests					<u>(1,989)</u>
Profit attributable to equity holders of the Company					<u>558,165</u>

For the six months ended 30th September 2012

	Retailing — Hong Kong, Macau and overseas	Retailing — The PRC	Wholesaling	Licensing	Inter-segment elimination	Reportable segments Total	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	19,614	7,849	4,383	2,267	-	34,113	7,593	41,706
Amortisation of land use rights	-	-	224	2,453	-	2,677	6	2,683
Depreciation of investment properties	-	-	-	-	-	-	744	744
Addition of non-current asset	38,282	10,029	19,162	155,887	-	223,360	16,216	239,576

As at 30th September 2012

	Retailing — Hong Kong, Macau and overseas	Retailing — The PRC	Wholesaling	Licensing	Inter-segment elimination	Reportable segments Total	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	3,661,230	1,051,447	2,041,468	271,484	(826,211)	6,199,418	-	6,199,418
Interests in an associate							8,816	8,816
Land and buildings							212,795	212,795
Investment properties							62,824	62,824
Deferred income tax assets							30,370	30,370
Other unallocated assets							510,892	510,892
Total assets								7,025,115

As at 30th September 2012

	Retailing — Hong Kong, Macau and overseas	Retailing — The PRC	Wholesaling	Licensing	Inter-segment elimination	Reportable segments Total	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment liabilities	(666,188)	(520,634)	(194,240)	(271,450)	826,211	(826,301)	-	(826,301)
Deferred income tax liabilities							(35,040)	(35,040)
Current income tax liabilities							(153,104)	(153,104)
Other unallocated liabilities							(56,177)	(56,177)
Total liabilities								(1,070,622)

For the six months ended 30th September 2011

	Retailing — Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing — The PRC <i>HK\$'000</i>	Wholesaling <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Reportable segments Total <i>HK\$'000</i>
Revenue					
Sales of merchandises	4,467,861	278,793	1,887,040	—	6,633,694
Inter-segment sales	(277,936)	(259)	(1,423,394)	—	(1,701,589)
	<u>4,189,925</u>	<u>278,534</u>	<u>463,646</u>	<u>—</u>	<u>4,932,105</u>
Sales of scrap gold and platinum and gold bullion	—	—	381,252	—	381,252
Sales to external customers	4,189,925	278,534	844,898	—	5,313,357
Royalty income	—	—	—	182,165	182,165
Consultancy fee income	—	—	—	15,915	15,915
Revenue from external customers	<u>4,189,925</u>	<u>278,534</u>	<u>844,898</u>	<u>198,080</u>	<u>5,511,437</u>
Results of reportable segments	<u>538,359</u>	<u>42,186</u>	<u>200,953</u>	<u>139,945</u>	<u>921,443</u>
A reconciliation of results of reportable segments to profit for the period is as follows:					
Results of reportable segments					921,443
Unallocated income					5,394
Unallocated expenses					(82,791)
Operating profit					844,046
Finance income					1,344
Share of results of an associate					2,623
Profit before income tax					848,013
Income tax expenses					(119,993)
Profit for the period					728,020
Non-controlling interests					(8,390)
Profit attributable to equity holders of the Company					<u>719,630</u>

For the six months ended 30th September 2011

	Retailing — Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing — The PRC <i>HK\$'000</i>	Wholesaling <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Reportable segments Total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation of property, plant and equipment	12,929	5,133	5,140	578	—	23,780	7,622	31,402
Amortisation of land use rights	—	—	80	582	—	662	6	668
Depreciation of investment properties	—	—	—	—	—	—	1,098	1,098
Addition of non-current asset	13,518	6,616	14,121	26,186	—	60,441	21,763	82,204

As at 31st March 2012

	Retailing — Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing — The PRC <i>HK\$'000</i>	Wholesaling <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Reportable segments Total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	3,110,679	776,988	2,283,666	266,763	(984,744)	5,453,352	—	5,453,352
Interests in an associate							8,161	8,161
Land and buildings							223,637	223,637
Investment properties							62,253	62,253
Deferred income tax assets							29,936	29,936
Other unallocated assets							961,122	961,122
Total assets								6,738,461

As at 31st March 2012

	Retailing — Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing — The PRC <i>HK\$'000</i>	Wholesaling <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Reportable segments Total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment liabilities	(682,208)	(610,581)	(291,944)	(255,449)	984,744	(855,438)	—	(855,438)
Deferred income tax liabilities							(23,988)	(23,988)
Current income tax liabilities							(118,142)	(118,142)
Other unallocated liabilities							(96,611)	(96,611)
Total liabilities								(1,094,179)

The Group's revenue are mainly derived from Hong Kong customers, PRC visitors in Hong Kong and PRC customers. An analysis of the Group's revenue by location which the transaction took place is as follows:

	For the six months ended	
	30th September	
	2012	2011
	HK\$'000	HK\$'000
Revenue		
Hong Kong, Macau and overseas	4,654,581	4,598,599
The PRC	1,266,220	912,838
	<u>5,920,801</u>	<u>5,511,437</u>

An analysis of the Group's non-current assets (other than deferred income tax assets and rental deposits) by location is as follows:

	As at 30th September 2012			As at 31st March 2012		
	Hong Kong, Macau and overseas HK\$'000	The PRC HK\$'000	Total HK\$'000	Hong Kong, Macau and overseas HK\$'000	The PRC HK\$'000	Total HK\$'000
Non-current assets						
Property, plant and equipment	309,037	161,448	470,485	283,069	112,091	395,160
Land use rights	–	166,910	166,910	–	48,574	48,574
Investment properties	60,757	2,067	62,824	60,152	2,101	62,253
Interests in an associate	8,816	–	8,816	8,161	–	8,161
Trading licence	1,080	–	1,080	1,080	–	1,080
Prepayment for purchase of building and land use rights	–	20,879	20,879	–	22,828	22,828
	<u>379,690</u>	<u>351,304</u>	<u>730,994</u>	<u>352,462</u>	<u>185,594</u>	<u>538,056</u>

6 EXPENSES BY NATURE

	For the six months ended	
	30th September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of sales		
— cost of inventories sold (<i>Note</i>)	4,575,376	4,038,426
— write-down of inventories to net realisable value	—	64,017
— cost of licensing business (<i>Note</i>)	68,859	56,403
	<u>4,644,235</u>	4,158,846
Staff costs (including the directors' emoluments)	235,867	211,323
Operating lease rentals in respect of land and buildings		
— minimum lease payments	124,470	96,745
— contingent rents	52,849	36,317
Advertising and promotion expenses	29,185	22,566
Commission expenses to credit card companies	49,617	46,420
Depreciation of investment properties	744	1,098
Depreciation of property, plant and equipment	41,706	31,402
Amortisation of land use rights	2,683	668
Insurance	7,336	5,515
Packaging materials	5,775	4,629
Repairs and maintenance	4,280	8,814
Property management fee and rate	5,856	4,782
Others	68,918	49,625
	<u>5,273,521</u>	4,678,750
Total	<u>5,273,521</u>	4,678,750
Representing:		
Cost of sales	4,644,235	4,158,846
Selling and distribution costs	574,039	464,430
Administrative expenses	55,247	55,474
	<u>5,273,521</u>	4,678,750

Note: Cost of inventories sold and cost of licensing business include staff cost (including the directors' emoluments) of HK\$72,927,000 (2011: HK\$62,105,000).

7 OTHER INCOME

	For the six months ended	
	30th September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Valued-added tax refund (<i>Note</i>)	30,966	27,277
Rental income	2,763	2,726
Government subsidies	10,820	—
Others	9,243	2,869
	<u>53,792</u>	32,872

Note: This represents refund from the PRC tax authority and the amount of refund is based on 13% of the cost of the imported diamonds. The Group is entitled to the refund as it is a member of Shanghai Diamond Exchange and the diamonds are imported through the Shanghai Diamond Exchange.

8 OTHER LOSSES, NET

	For the six months ended 30th September	
	2012	2011
	HK\$'000	HK\$'000
Losses on derivative financial instruments — trading of gold	(15,476)	(23,114)
Net exchange gain	91	2,054
Others	(31)	(453)
	<u>(15,416)</u>	<u>(21,513)</u>

9 FINANCE INCOME AND FINANCE COSTS

	For the six months ended 30th September	
	2012	2011
	HK\$'000	HK\$'000
Finance income		
— Interest income	<u>4,634</u>	<u>1,344</u>
Finance costs		
— Interest expenses on bank borrowings	<u>(311)</u>	<u>—</u>

10 INCOME TAX EXPENSES

Hong Kong profits tax has been provided for at the rate of 16.5% (For the six months ended 30th September 2011: 16.5%) 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.

	For the six months ended 30th September	
	2012	2011
	HK\$'000	HK\$'000
Current taxation:		
— Hong Kong profits tax	54,807	81,252
— PRC corporate income tax	54,320	35,634
— Overseas taxation	10,950	10,663
Over-provision in prior years	(221)	(3,761)
Deferred taxation	10,618	(3,795)
	<u>130,474</u>	<u>119,993</u>

11 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\$558,165,000 (2011: HK\$719,630,000) and the weighted average number of 589,107,850 (2011: 542,507,850) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30th September 2012 and 2011 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the period.

12 DIVIDENDS

At a meeting held on 27th June 2012, the directors recommended the payment of a final dividend of HK\$0.43 per ordinary share, totalling HK\$253,316,000 for the year ended 31st March 2012. Such dividend was approved by the shareholders at the Annual General Meeting on 22nd August 2012, paid during the period and had been reflected as an appropriation of retained earnings for the period ended 30th September 2012.

At a meeting held on 28th November 2012, the directors declared the payment of an interim dividend of HK\$0.38 per ordinary share, totalling HK\$223,861,000, for the year ending 31st March 2013. This dividend has not been reflected as a dividend payable in these condensed consolidated interim financial information, but will be reflected as an appropriation of retained earnings for the year ending 31st March 2013.

13 TRADE RECEIVABLES

The Group's sales comprised mainly cash sales and credit card sales. Concessionaire sales through department stores and sales to wholesale customers are generally on credit terms ranging from 0 to 90 days.

The ageing analysis of trade receivables is as follows:

	As at 30th September 2012 HK\$'000	As at 31st March 2012 HK\$'000
0–30 days	132,625	131,989
31–60 days	22,958	20,447
61–90 days	7,922	8,389
91–120 days	4,874	1,493
Over 120 days	2,164	198
	<u>170,543</u>	<u>162,516</u>

The carrying amounts of trade receivables approximate their fair values.

14 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals are trade payables of HK\$370,366,000 (31st March 2012: HK\$402,961,000) and the ageing analysis is as follows:

	As at 30th September 2012 <i>HK\$'000</i>	As at 31st March 2012 <i>HK\$'000</i>
0–30 days	243,166	233,750
31–60 days	89,101	98,752
61–90 days	10,874	8,609
91–120 days	10,442	21,014
Over 120 days	16,783	40,836
	<u>370,366</u>	<u>402,961</u>

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

INTERIM DIVIDEND

The Board has declared an interim dividend of HK\$0.38 (2011: HK\$0.53) per share for the six months ended 30th September 2012 payable to shareholders whose names appear on the register of members of the Company on 13th December 2012. The interim dividend will be paid on 24th December 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on 13th December 2012 and no transfer of shares will be registered on that day. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited of Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 12th December 2012.

INTERIM RESULTS

During the period under review, the Group successfully captured the growth opportunity despite the high base effect and volatile market sentiment. Half year revenue reached a record high with a growth of 7.4% to approximately HK\$5,920,801,000 (2011: HK\$5,511,437,000). However, the benefit of revenue growth was offset by the decrease in gross margin by 2.9% to 21.6% (2011: 24.5%) mainly due to the normalization in gross margin of gem-set jewellery to similar level of same period in 2010. In the same period of last year, gem-set jewellery reported unusually high gross margin because of appreciation in value. With this high base effect, gross profit decreased by 5.6% to HK\$1,276,566,000 (2011: HK\$1,352,591,000) during the review period. On the other hand, operating profit further reduced by 18.8% to HK\$685,656,000 (2011: HK\$844,046,000) mainly due to disproportionate increase in rental expenses arising from surging rental increment in Hong Kong and Macau, increase in rental, staff costs and depreciation with the opening of additional self-operated shops and regional offices as well as renovation for enhancement of brand image. Operating margin was 11.6%

(2011: 15.3%). The profit attributable to shareholders amounted to HK\$558,165,000 (2011: HK\$719,630,000), representing a 22.4% drop. However, a 74.6% growth was seen when compared to that of 2010. Basic earnings per share were 0.95 HK dollars (2011: 1.33 HK dollars).

During the period under review, a net number of 115 retail outlets were opened in the PRC with 4 and 2 retail outlets opened in Hong Kong and Macau, respectively. As at 30th September 2012, the Group had a total of 983 retail outlets globally in the PRC, Hong Kong, Macau, Singapore, United States and Canada.

During the review period, the Group's retail business remained the Group's mainstream of revenue, which accounted for 80.3% (2011: 81.1%) of total revenue and amounted to HK\$4,754,710,000 (2011: HK\$4,468,459,000). It represented an increase of 6.4% from the same period last year. Meanwhile, revenue from wholesale business accounted for 16.0% (2011: 15.3%) of total revenue, reached HK\$948,696,000 (2011: HK\$844,898,000). It represented a growth of 12.3% from the same period last year. The remaining 3.7% (2011: 3.6%) was contributed by the licensing business.

Despite the fluctuation of gold price, gold was still the most favourite item. During the period, gold/platinum products, contributed approximately 60.7% (2011: 59.0%) of the Group's total sales (excluding trade-in transactions and income from licensing business).

INDUSTRY REVIEW

In recent years, PRC visitors posted important contribution to the Group's retail sales in Hong Kong and Macau market. According to the figures from the Hong Kong Tourism Board (HKTB) and the Statistics and Census Service (DSEC) of Macau SAR Government, in the first three quarters of 2012, visitor arrivals from the PRC to Hong Kong and Macau increased by 24.2% and 0.8%, respectively, when compared to the same period last year. However, the benefit brought by the steady growth of the PRC arrivals was not obvious because of the changing travel and consumption habits of PRC visitors. Overnight vacationers usually have stronger purchasing power. However, the arrivals of these visitors slowed down during the period because of various factors such as more convenient transportation network among Hong Kong, Macau and the PRC and high hotel room rates, which led to the slowdown of the Group's retail sales growth in Hong Kong and Macau market.

In the PRC market, the local consumption remained stable despite the slowdown of economic growth. According to National Bureau of Statistics of China, for the first ten months of 2012, total retail sales of consumer goods increased by 14.1% to RMB16,835.6 billion. On the other hand, the total retail sales from gold, silver and jewellery sector was RMB179.5 billion, represented an increase of 15.1%, which was higher than the overall growth level. The steady demand of luxury products in the PRC led to the Group's fast expansion in the PRC market through licensing business model.

BUSINESS REVIEW

Hong Kong and Macau Market

For the period ended 30th September 2012, revenue from the Hong Kong and Macau market was HK\$4,605,787,000 (2011: HK\$4,549,988,000), representing a 1.2% increase from the same period last year. The slight increase was mainly due to the high base of last year's revenue resulting from exceptionally high influx of visitors to both areas because of the earthquake in Japan in first quarter of 2011.

The Hong Kong and Macau market accounted for 77.8% (2011: 82.6%) of the Group's revenue and 71.3% (2011: 69.9%) of total segment results during the review period. As at 30th September 2012, the Group operated 36 shops in Hong Kong and 8 shops in Macau.

For the period under review, the same store sales growth (SSSG) in the Hong Kong and Macau was flat (2011: 41.2%) as a result of high base effect in prior period. When compared to the same period in 2010, the SSSG posted a growth of 65.8%.

The PRC Market

The Group actively sought opportunities in the PRC's jewellery market.

For the period ended 30th September 2012, the Group's revenue in the PRC market, accounting for 21.4% (2011: 16.6%) of the Group's total revenue, increased by 38.7% to HK\$1,266,220,000 (2011: HK\$912,838,000). The increase was mainly due to the opening of new self-operated and licensed shops across the country. Segmental profit contribution accounted for 28.2% (2011: 29.5%) of total segment results, indicating a higher profitability in the PRC business as compared to the other markets. In the review period, the Group has opened 99 new licensed shops and 16 self-operated shops in the PRC, accumulating the total number to 857 licensed shops and 77 self-operated shops.

For the period under review, the SSSG of self-operated shop in the PRC market was 12.6% (2011: 25.3%).

OVERSEAS DEVELOPMENT

Upholding the Group's motto "Brand of Hong Kong, Sparkling the World", the Group has continued to sustain its global presence. The Group is the only listed Hong Kong jeweler with footprint in Northern America. During the period, the Group operated 5 shops in the overseas markets, including 1 self-operated shop in Singapore, 2 self-operated shops in the United States and 2 shops in Canada (1 self-operated and 1 licensed shop).

BRANDING

The Group has put substantial effort in building a brand image that is welcoming and warm-hearted by holding various marketing campaigns and promotion activities, introducing different product collections, creating a warm and cozy shopping environment, and being attentive to our customers. The Group's brand image has been strengthened and has won a lot of awards in recognition of the brand over the years.

(i) Marketing Campaigns

The tagline "Love is Beauty" has built the relationships among women, beauty and jewellery. It is also in line with our warm-hearted brand image. The Group also effectively delivered the core value of the brand to our target audience through the following marketing channels:

Sponsorship of Beauty Pageant Contests

To further fasten the linkage between Lukfook Jewellery and the concept of beauty, the brand not only sponsored the diamond crown and precious jewellery pieces for "Miss Hong Kong Pageant" for the 15th consecutive year, it was also the exclusive sponsor of the crown of "Miss Universe China Reignwood Pageant" for the 2nd consecutive year and the jewellery sponsor of "Miss Chinese Pageant" in Vancouver and Toronto, Canada.

Promotion Activities

Apart from placing large volume of advertisements on mainstream TV channels, magazines, newspapers, outdoor, online platforms and other media in the PRC, Hong Kong, Macau and overseas, the brand also sponsored different TV programmes, movies, concerts and so on. Besides, our participation in exhibitions also helped to further enhance our brand awareness.

(ii) Product Collections

Well-known for the exquisite product design as well as brilliant craftsmanship, the Group's diversified product mix is able to fulfill different customers' needs. The following collections have been introduced by the Group, targeting at the middle to high-end consumer markets in the PRC, Hong Kong, Macau and overseas:

"Love is Beauty" Collection

Our designers incorporate the concepts of love and beauty into the design by embedding the sparkling heart in the diamond jewellery, in order to convey the "Beauty of Love".

“Love Forever” Collection

In collaboration with our celebrity endorser Mr. Lam-Fung across the PRC, Hong Kong and Macau, “Love Forever” Collection of diamond jewellery with the abbreviation of “Love Forever” — “LF” is especially made for every young couple.

Wedding Collection

According to “The Survey Report on the Development of China’s Wedding Industry” released last year by the National Wedding Industry Survey Centre, it was estimated that there will be an average of 12 million pairs of newlyweds per year in the coming 10 years. In face of such a huge market, the Group has particularly launched a wide array of wedding products: Pure Gold “Xifu” Collection jointly promoted with World Gold Council; Pt Bridal Collection jointly promoted with Platinum Guild International and Bridal Collection of diamond jewellery.

(iii) Shopping Experience

With a cozy shopping environment for customers built by professional interior designers, the Group is dedicated to providing our “Six Heartfelt Services”, bringing customers the most enjoyable shopping experience.

(iv) Branding Awards

The Group firmly believes that customer loyalty is highly correlated to brand reputation. During the year, the Group has received wide recognitions on its devotion towards brand building.

- “2012 Retail Asia-Pacific Top 500 Awards” and “Best-of-the-Best Retailers Award — Hong Kong” jointly organized by Retail Asia Publishing Pte Ltd, Euromonitor International and KPMG
- “Greater China Super Brands Award 2012” from East Week Magazine
- “Hong Kong Star Brands Award 2012 (Enterprise)”, jointly organized by Hong Kong Small and Medium Enterprises Association and Hong Kong Trade Development Council
- “Most Popular Jewelry Brand” in “The Most Popular Hong Kong Bright Consumer Brands” organized by Hong Kong Metro Finance and Shenzhen Media Group Music Frequency

AWARDS

During the period, the Group has received various awards in recognition of its excellent management and high quality of service. They included:

- “Retailer of The Year” in “JNA Awards” from JNA (Jewellery New Asia) and UBM Asia
- “2012 Most Popular QTS Merchant Award (Online Voting) — Shop” from Hong Kong Quality Tourism Services Association
- First Runner-up in “Ordering Oxfam Rice (Organization Category)” in “Oxfam Rice Sale 2012”
- “Caring Company” logo from The Hong Kong Council of Social Services
- “Prime Awards for Eco-Business 2012 (Category: Jewellery)”, organized by “metroBox” magazine

Luk Fook Jewellery Centre, the Group’s headquarters in Hong Kong, also has received the following awards in recognition of its well management:

- “Quality Water Recognition Scheme for Buildings” Certificate from Water Supplies Department
- “Best Managed Property” Award in “Kowloon West Best Security Services Awards 2011”, held by the Hong Kong Association of Property Management Companies (HKAPMC), the Security and Guarding Services Industry Authority (SGSIA) and the Regional Crime Prevention Office of the Kowloon West Headquarters of Hong Kong Police

Luk Fook Jewellery (Guangzhou) Company Limited, subsidiary of the Group, has successfully obtained “Good Standardizing Practice” Certificate issued by the Standardization Administration of People’s Republic of China with the highest honour of Grade AAAA, in recognition of the Group’s outstanding operations and production management systems of the Group.

DESIGN

Producing finest products with stylish and fashionable designs is one of the core competencies of the Group. Our product portfolio now includes over 20,000 fashionable jewellery products for customers. Our outstanding design teams are also keen on participating in various local and international jewellery design competitions to further strengthen our brand image.

OUTLOOK

The Group adopts a positive but cautious attitude towards its business growth and outlook in the second half of this fiscal year. The Group believes that retail sales will continue to benefit from celebration-related sales, as the year of Dragon is a good year to get married and give birth.

With the steady economic growth and favorable policy towards consumption sector, the PRC market will be undoubtedly the growth driver for the Group's business development in the long run. The report published at the Chinese Communist Party's 18th Congress also emphasized the objective on building a "well-off society" before 2020, with a target to double up the gross domestic production (GDP) and rural and urban income per capita of 2010. The Group believes that introduction of various economic stimulation policies as well as the increasing disposable income will offer ample room for the rapid development of the domestic consumer market. In order to capture the future growth in domestic consumption, the Group will continue to adopt "twin-pronged" strategy by opening both self-operated and licensed shops, so as to penetrate into untapped territories.

Apart from the PRC market, the Group remains committed to seeking suitable locations to expand its distribution network in Hong Kong, Macau and overseas market.

Moreover, the Group will further introduce new stylish products to cater customers' taste and need. Its award-winning designer team in Hong Kong and the PRC will closely keep track on market trend and design a wide range of gold and jewellery products for both individual and corporate clients so as to enhance their loyalty and broaden the customer base.

Noting the surging demand for luxury products, the Group has diversified and enriched its product portfolio to provide more varieties to potential customers by tapping the watches market. As at 30th September 2012, 22 brands of prestigious watches were carried in the Group's retail network, including BALL, BALL & BMW, BULOVA, CERTINA, CORUM, DOXA, ENICAR, ERNEST BOREL, GRONFELD, HAMILTON, HARRY WINSTON, H. MOSER & CIE, LONGINES, LUDOVIC BALLOUARD, MAURICE LACROIX, MIDO, OMEGA, PHILIP STEIN, RADO, TAG HEUER, TISSOT and TONINO LAMBORGHINI.

Looking ahead, riding on our core competencies on stringent quality control, appealing designs and product offering, intensive marketing and branding strategies as well as strong financial strengths, the Group will endeavor to strengthen its leadership in the industry and make a lasting commitment to upholding excellent services to our esteemed customers around the world.

RE-ELECTION OF CHAIRMAN AND DEPUTY CHAIRMEN AND RETIREMENT OF NON-EXECUTIVE DIRECTORS

With effect from 22nd August 2012, Mr. LO Mun Lam, Raymond retired as Chairman, Mr. WONG Wai Sheung was elected as Chairman, Mr. TSE Moon Chuen and Mr. WONG Ho Lung, Danny were elected as Deputy Chairmen, while Mr. WONG Koon Cheung and Mr. CHAN Wai retired as Non-Executive Directors of the Company.

RESIGNATION OF EXECUTIVE DIRECTOR, FINANCIAL CONTROLLER AND COMPANY SECRETARY, APPOINTMENT OF NEW CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. LAW Tim Fuk, Paul has tendered his resignation as Executive Director, Financial Controller of the Company with effect from 1st December 2012 and as Company Secretary of the Company with effect from 24th September 2012.

Ms. CHAN So Kuen has been appointed as Chief Financial Officer with effect from 17th September 2012 and as Company Secretary of the Company with effect from 24th September 2012.

EMPLOYEES

As at 30th September 2012, the Group had approximately 5,100 employees (31st March 2012: 4,700 employees). Remuneration policies are reviewed and approved by management on a 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 performance of the Group and the performance of individual employees. The policy is to encourage employees to optimize business performance by providing them with financial incentives.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th September 2012, the Group's cash on hand reached approximately HK\$1,052 million (31st March 2012: approximately HK\$1,538 million). The Group's bank borrowings at the period-end was HK\$Nil (31st March 2012: HK\$Nil) while total shareholders' equity was approximately HK\$5,904 million (31st March 2012: approximately HK\$5,596 million).

During the period under review, the Group incurred capital expenditures of approximately HK\$240 million (2011: HK\$82 million), including the costs of properties, leasehold lands, leasehold improvements, furniture, fixtures and equipment.

As of 30th September 2012, the Group's inventory balance was HK\$4,807 million (2011: HK\$4,330 million), while average inventory turnover days increased by 37 days to 182 days (2011: 145 days).

The Group's income and expenditure streams were mainly denominated in Hong Kong dollars.

CONTINGENCY LIABILITIES

The Group did not have any significant contingent liabilities at 30th September 2012.

CORPORATE GOVERNANCE

The Board and 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 (the “Listing Rules”) throughout the six months ended 30th September 2012, except for the following deviation:

Code Provision A.2.1 of the Corporate Governance Code as contained in Appendix 14 of the Listing Rules provide that the roles of chairman and chief executive should be separate and should not be performed by the same individual, so that there is a clear division of responsibilities for the management of the Board and the day-to-day management of the Group’s business to ensure a balance of power and authority.

In the view of the increasing trend of business deriving from the PRC market, it is believed that Mr. WONG Wai Sheung being the Chairman and Chief Executive of the Company will further enhance the business development of the Group in the PRC market due to the norms in the PRC market on “status parity” when future business negotiations are conducted in the PRC. Besides, members of the Board also include qualified professionals and other prominent and experienced individuals from our community. The Board considers that the existing Board composition, with the support of Board Committees and two executive Deputy Chairmen, can ensure a balance of power and authority. In the near future, the Board will also appoint a reputable international accounting firm to perform a risk assessment and internal control review to ensure their effective internal control measures are in place.

AUDIT COMMITTEE

The audit committee assists the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The members of the audit committee are all of the independent non-executive directors, namely Mr. LO Mun Lam, Raymond, Mr. TAI Kwok Leung, Alexander and Mr. IP Shu Kwan, Stephen, GBS, JP. Mr. LO Mun Lam, Raymond is the Chairman of the audit committee. Since 1st April 2012, the audit committee has held two meetings to consider matters including the 2011/12 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 2012, and the Group’s IT control environment.

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

REMUNERATION COMMITTEE

The remuneration committee makes 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. The members of the remuneration committee comprise two executive directors, namely Mr. WONG Wai Sheung and Mr. TSE Moon Chuen, and three independent non-executive directors, namely Mr. LO Mun Lam, Raymond, Mr. TAI Kwok Leung, Alexander, and Mr. IP Shu Kwan, Stephen, GBS, JP. Mr. IP Shu Kwan, Stephen, GBS, JP is the Chairman of the remuneration committee.

NOMINATION COMMITTEE

The nomination committee makes recommendation to the Board on director succession, nominating potential candidates for directorship and reviewing the nomination and resignation of directors. The nomination committee also reviews the structure, size and composition (including the skills, knowledge and experience) of the Board and assessing the independence of independent non-executive directors. The Committee is provided with sufficient resources to perform its duties and it can seek independent professional advice, at the Company's expenses to perform its responsibilities if necessary. The members of the nomination committee comprise two executive directors, namely Mr. WONG Wai Sheung and Mr. TSE Moon Chuen, and three independent non-executive directors, namely Mr. LO Mun Lam, Raymond, Mr. TAI Kwok Leung, Alexander, and Mr. IP Shu Kwan, Stephen, GBS, JP. Mr. LO Mun Lam, Raymond is the Chairman of the nomination committee.

MODEL CODE ON SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers 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 2012.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the six months ended 30th September 2012. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the same period.

By order of the Board
WONG Wai Sheung
Chairman & Chief Executive

28th November 2012

As at the date of this announcement, the Company's executive directors are Mr. WONG Wai Sheung (Chairman & Chief Executive), Mr. TSE Moon Chuen (Deputy Chairman), Mr. LAW Tim Fuk, Paul, Mr. WONG Ho Lung, Danny (Deputy Chairman), Miss WONG Lan Sze, Nancy, Miss WONG Hau Yeung and Miss CHUNG Vai Ping; the non-executive directors are Ms. YEUNG Po Ling, Pauline, Mr. HUI King Wai, Mr. HUI Chiu Chung, JP and Mr. LI Hon Hung, MH, JP; the independent non-executive directors are Mr. LO Mun Lam, Raymond, Mr. TAI Kwok Leung, Alexander, and Mr. IP Shu Kwan, Stephen, GBS, JP.