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 SIX MONTHS ENDED 30 SEPTEMBER 2013

HIGHLIGHTS

- Both revenue of HK$10.1 billion and profit attributable to equity holders of HK$965 million recorded a half-year record high.
- An interim dividend of HK$0.63 per share was declared, another record high.
- The Group's first flagship store in Mainland China and the largest flagship store worldwide were opened in Wuhan and Macau respectively, marked another milestone in flagship establishment.

FINANCIAL PERFORMANCE

	For the six months ended 30 September 2013 *HK$'000*	For the six months ended 30 September 2012 *HK$'000*	Y-o-Y Change
Revenue	**10,066,153**	5,920,801	+70.0%
Gross Profit	**2,022,951**	1,276,566	+58.5%
Operating Profit	**1,150,173**	685,656	+67.7%
Profit for the period	**965,559**	560,154	+72.4%
Profit Attributable to Equity Holders	**965,040**	558,165	+72.9%
Basic Earnings per Share	**HK$1.64**	HK$0.95	+72.6%
Interim Dividend per Share	**HK$0.63**	HK$0.38	+65.8%
Dividend Payout Ratio	**38.5%**	40.1%	-1.6 p.p
Gross Margin	**20.1%**	21.6%	-1.5 p.p
Operating Margin	**11.4%**	11.6%	-0.2 p.p
Net Margin	**9.6%**	9.5%	+0.1 p.p
EBITDA	**1,205,116**	731,438	+64.8%
EBITDA Margin	**12.0%**	12.4%	-0.4 p.p
Effective Tax Rate	**16.3%**	18.9%	-2.6 p.p

The board of directors (the "Board") of Luk Fook Holdings (International) Limited (the "Company") is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2013 together with comparative figures for the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2013

		Unaudited for the six months ended 30 September	
		2013	2012
	Note	***HK$'000***	*HK$'000*
Revenue	*5*	**10,066,153**	5,920,801
Cost of sales	*6*	**(8,043,202)**	(4,644,235)
Gross profit		**2,022,951**	1,276,566
Other income	*7*	**28,856**	53,792
Selling and distribution costs	*6*	**(889,827)**	(574,039)
Administrative expenses	*6*	**(69,544)**	(55,247)
Other gains/(losses), net	*8*	**57,737**	(15,416)
Operating profit		**1,150,173**	685,656
Finance income	*9*	**3,938**	4,634
Finance costs	*9*	**(509)**	(311)
Share of results of an associate		**(129)**	649
Profit before income tax		**1,153,473**	690,628
Income tax expenses	*10*	**(187,914)**	(130,474)
Profit for the period		**965,559**	560,154
Profit attributable to:			
Equity holders of the Company		**965,040**	558,165
Non-controlling interests		**519**	1,989
		965,559	560,154
Earnings per share for profit attributable to equity holders of the Company during the period	*11*		
— Basic and diluted		**HK$1.64**	HK$0.95

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 30 September 2013

	Unaudited for the six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
Profit for the period	**965,559**	560,154
Other comprehensive income:		
Items that may be reclassified to profit or loss in future periods		
Currency translation differences	**30,610**	3,373
Other comprehensive income for the period, net of tax	**30,610**	3,373
Total comprehensive income for the period	**996,169**	563,527
Attributable to:		
— Equity holders of the Company	**995,210**	561,497
— Non-controlling interests	**959**	2,030
Total comprehensive income for the period	**996,169**	563,527

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2013

	Note	Unaudited As at 30 September 2013 HK$'000	Audited As at 31 March 2013 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**525,626**	516,172
Land use rights		**188,651**	188,717
Investment properties		**46,626**	32,303
Interests in an associate		**7,286**	7,303
Available-for-sale financial assets		**8,100**	–
Trading licence		**1,080**	1,080
Rental deposits		**121,389**	100,309
Deferred income tax assets		**32,830**	30,041
		931,588	875,925
Current assets			
Inventories		**5,592,475**	4,955,374
Trade receivables	*13*	**252,244**	316,629
Deposits, prepayments and other receivables		**221,883**	197,745
Derivative financial instruments		**5,558**	–
Amount due from an associate		**6,357**	4,068
Income tax recoverable		**1,119**	25,326
Cash and cash equivalents		**1,481,574**	1,186,808
		7,561,210	6,685,950
Total assets		**8,492,798**	7,561,875
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		**4,184,155**	3,560,083
Proposed dividends		**371,138**	282,772
		7,137,186	6,424,748
Non-controlling interests		**53,804**	52,845
Total equity		**7,190,990**	6,477,593

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)
As at 30 September 2013

	Note	**Unaudited As at 30 September 2013** *HK$'000*	Audited As at 31 March 2013 *HK$'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**49,395**	42,428
Employee benefit obligations		**37,914**	37,914
		87,309	80,342
Current liabilities			
Trade payables, other payables and accruals	*14*	**1,052,825**	938,404
Current income tax liabilities		**161,674**	65,536
		1,214,499	1,003,940
Total liabilities		**1,301,808**	1,084,282
Total equity and liabilities		**8,492,798**	7,561,875
Net current assets		**6,346,711**	5,682,010
Total assets less current liabilities		**7,278,299**	6,557,935

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2013

	Unaudited					
	Attributable to equity holders of the Company					
	Share capital *HK$'000*	Share premium *HK$'000*	Reserves *HK$'000*	Subtotal *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
For the period ended 30 September 2013						
As at 1 April 2013	58,910	2,522,983	3,842,855	6,424,748	52,845	6,477,593
Comprehensive income						
Profit for the period	–	–	965,040	965,040	519	965,559
Other comprehensive income						
Currency translation differences	–	–	30,170	30,170	440	30,610
Total comprehensive income	–	–	995,210	995,210	959	996,169
Transaction with owners						
Dividends paid	–	–	(282,772)	(282,772)	–	(282,772)
As at 30 September 2013	58,910	2,522,983	4,555,293	7,137,186	53,804	7,190,990

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 September 2012

	Unaudited					
	Attributable to equity holders of the Company					
	Share capital *HK$'000*	Share premium *HK$'000*	Reserves *HK$'000*	Subtotal *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
For the period ended 30 September 2012						
As at 1 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 comprehensive income	–	–	561,497	561,497	2,030	563,527
Transaction with owners						
Dividends paid	–	–	(253,316)	(253,316)	–	(253,316)
As at 30 September 2012	58,910	2,522,983	3,321,812	5,903,705	50,788	5,954,493

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2013

	Unaudited for the six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
Net cash generated from/(used in) operating activities	**651,016**	(1,662)
Net cash used in investing activities	**(77,917)**	(232,893)
Net cash used in financing activities	**(283,281)**	(253,627)
Increase/(decrease) in cash and cash equivalents	**289,818**	(488,182)
Cash and cash equivalents at 1 April	**1,186,808**	1,538,057
Exchange differences	**4,948**	2,401
Cash and cash equivalents at 30 September	**1,481,574**	1,052,276

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 gold and platinum jewellery, gold ornaments and gem-set jewellery.

The Company was incorporated in Bermuda on 3 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 6 May 1997.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2013 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 31 March 2013, which were 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 31 March 2013, as described in those annual financial statements.

3.1 New standards and amendments to existing standards that are effective for the first time for the financial year beginning 1 April 2013 and are relevant to the Group's operations:

HKAS 1 (Amendment)	Presentation of items of other comprehensive income
HKAS 19 (2011)	Employee benefits
HKFRS 7 (Amendment)	Disclosure – offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 12	Disclosure of interests in other entities
HKFRS13	Fair value measurements
Annual improvements projects (2011)	Improvements to HKFRSs published in June 2012

Except as described below, the application of the above new standards and the amendments in the current interim period has had no material effect on the amounts reported or disclosed in this condensed consolidated interim financial information.

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance under HKFRS for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRS when fair value is required or permitted. The application of HKFRS 13 has not materially impacted the fair value measurements carried out by the Group. HKFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required in interim financial statements for financial instruments.

HKAS 1 (Amendment) Presentation of financial statements

The amendments to HKAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The adoption of these amendments only affected presentation and had no impact on this condensed consolidated interim financial information.

HKAS 19 (2011) Employee benefits

HKAS 19 (2011) amends the accounting for employment benefits. The Group has applied the standard retrospectively in accordance with the transition provisions of the standard. The impact on the Group has been in the following areas:

(i) There is a new term “remeasurements”. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. They are recognised in other comprehensive income and not recycled to income statement. The “corridor” method and the option to spread or recognise immediately in the income statement are no longer available. The standard also requires the entity to present all actuarial gains and losses previously recognised in profit and loss account in other comprehensive income. Although there is no change to total reserves, the change has resulted in an increase in retained earnings at 1 April 2012 and 30 September 2012 of HK$21,582,000 with a decrease in other reserves of same amount and a decrease in retained earnings at 31 March 2013 of HK$22,846,000 with an increase in other reserves of same amount. This has resulted in no impact to the profit and loss account for the six months ended 30 September 2012 and 2013 and has no effect on total comprehensive income as the increased gain/(loss) in profit or loss is offset by a debit/credit in other comprehensive income.

(ii) The effects of the change in accounting policy has no effect on the condensed consolidated statement of cash flows and effect on the earnings per share for the six months ended 30 September 2013.

3.2 The following new standards and amendments to existing standards relevant to the Group have been issued but are not effective for the financial year beginning 1 April 2013 and have not been early adopted.

HKFRS 9	Financial instruments[2]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures[2]
Amendments to HKFRS 10, HKFRS 12, HKAS 27 (2011)	Investment entities[1]
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities[1]
HKAS 36 (Amendment)	Impairment of assets[1]

(1) Effective for the Group for annual period beginning on 1 April 2014
(2) Effective for the Group for annual period beginning on 1 April 2015

The Group plans to adopt the above new/revised standards and amendments to existing standards when they become effective, they 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 31 March 2013.

5 SEGMENT INFORMATION

The chief operating decision-maker ("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 — Mainland China

iii. Wholesaling — Hong Kong

iv. Wholesaling — Mainland China

v. 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 form 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.

To be consistent with internal reporting, the segment of "wholesaling" has been split to "wholesaling — Hong Kong" and "wholesaling — Mainland China". The relevant amounts for the six months ended 30 September 2013 has also been presented to conform with the current year's presentation.

	For the six months ended 30 September 2013						
	Retailing – Hong Kong, Macau and overseas *HK$'000*	Retailing – Mainland China *HK$'000*	Wholesaling – Hong Kong *HK$'000*	Wholesaling – Mainland China *HK$'000*	Licensing *HK$'000*	Inter-segment elimination *HK$'000*	Reportable segments Total *HK$'000*
Revenue							
Sales to external customers	**7,741,824**	**897,873**	**31,607**	**891,742**	**–**	**–**	**9,563,046**
Sales of scrap gold and platinum and gold bullion	**–**	**–**	**180,118**	**–**	**–**	**–**	**180,118**
	7,741,824	**897,873**	**211,725**	**891,742**	**–**	**–**	**9,743,164**
Inter-segment sales	**21,714**	**17,585**	**6,163,178**	**89,454**	**–**	**(6,291,931)**	**–**
Sales of merchandises	**7,763,538**	**915,458**	**6,374,903**	**981,196**	**–**	**(6,291,931)**	**9,743,164**
Royalty income	**–**	**–**	**–**	**–**	**300,676**	**–**	**300,676**
Consultancy fee income	**–**	**–**	**–**	**–**	**22,313**	**–**	**22,313**
Total	**7,763,538**	**915,458**	**6,374,903**	**981,196**	**322,989**	**(6,291,931)**	**10,066,153**
Results of reportable segments	**864,051**	**15,635**	**48,299**	**49,246**	**220,179**	**–**	**1,197,410**

A reconciliation of results of reportable segments to profit for the period is as follows:

Results of reportable segments	**1,197,410**
Unallocated income	**16,678**
Unallocated expenses	**(63,915)**
Operating profit	**1,150,173**
Finance income	**3,938**
Finance costs	**(509)**
Share of results of an associate	**(129)**
Profit before income tax	**1,153,473**
Income tax expenses	**(187,914)**
Profit for the period	**965,559**
Non-controlling interests	**(519)**
Profit attributable to equity holders of the Company	**965,040**

For the six months ended 30 September 2013

	Retailing – Hong Kong, Macau and overseas *HK$'000*	Retailing – Mainland China *HK$'000*	Wholesaling – Hong Kong *HK$'000*	Wholesaling – Mainland China *HK$'000*	Licensing *HK$'000*	Inter-segment elimination *HK$'000*	Reportable segments Total *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Depreciation of property, plant and equipment	23,085	10,285	518	5,231	2,995	–	42,114	8,800	50,914
Amortisation of land use rights	–	–	–	232	3,313	–	3,545	7	3,552
Depreciation of investment properties	–	–	–	–	–	–	–	606	606
Addition of non-current asset	48,875	6,525	500	8,360	3,720	–	67,980	6,513	74,493

As at 30 September 2013

	Retailing – Hong Kong, Macau and overseas *HK$'000*	Retailing – Mainland China *HK$'000*	Wholesaling – Hong Kong *HK$'000*	Wholesaling – Mainland China *HK$'000*	Licensing *HK$'000*	Inter-segment elimination *HK$'000*	Reportable segments Total *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Segment assets	4,579,702	1,230,090	708,192	1,113,054	551,513	(443,452)	7,739,099		7,739,099
Interests in an associate								7,286	7,286
Land and buildings								207,758	207,758
Investment properties								46,626	46,626
Deferred income tax assets								32,830	32,830
Other unallocated assets								459,199	459,199
Total assets									8,492,798
Segment liabilities	(398,417)	(139,961)	(521,156)	(145,783)	(224,038)	443,452	(985,903)		(985,903)
Deferred income tax liabilities								(49,395)	(49,395)
Current income tax liabilities								(161,674)	(161,674)
Other unallocated liabilities								(104,836)	(104,836)
Total liabilities									(1,301,808)

	For the six months ended 30 September 2012						
	Retailing – Hong Kong, Macau and overseas *HK$'000*	Retailing – Mainland China *HK$'000*	Wholesaling – Hong Kong *HK$'000*	Wholesaling – Mainland China *HK$'000*	Licensing *HK$'000*	Inter-segment elimination *HK$'000*	Reportable segments Total *HK$'000*
Revenue							
Sales to external customers	4,346,200	408,510	22,679	640,448	–	–	5,417,837
Sales of scrap gold and platinum and gold bullion	–	–	285,569	–	–	–	285,569
	4,346,200	408,510	308,248	640,448	–	–	5,703,406
Inter-segment sales	254,823	14,387	2,988,146	137,256	–	(3,394,612)	–
Sales of merchandises	4,601,023	422,897	3,296,394	777,704	–	(3,394,612)	5,703,406
Royalty income	–	–	–	–	196,572	–	196,572
Consultancy fee income	–	–	–	–	20,823	–	20,823
Total	4,601,023	422,897	3,296,394	777,704	217,395	(3,394,612)	5,920,801
Results of reportable segments	447,039	21,885	57,887	35,990	140,286	–	703,087

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	(38,056)
Operating profit	685,656
Finance income	4,634
Finance costs	(311)
Share of results of an associate	649
Profit before income tax	690,628
Income tax expenses	(130,474)
Profit for the period	560,154
Non-controlling interests	(1,989)
Profit attributable to equity holders of the Company	558,165

For the six months ended 30 September 2012

	Retailing – Hong Kong, Macau and overseas HK$'000	Retailing – Mainland China HK$'000	Wholesaling – Hong Kong HK$'000	Wholesaling – Mainland China HK$'000	Licensing HK$'000	Inter-segment elimination HK$'000	Reportable segments Total HK$'000	Unallocated HK$'000	Total HK$'000
Depreciation of property, plant and equipment	19,614	7,849	495	3,888	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	205	18,957	155,887	–	223,360	16,216	239,576

As at 31 March 2013

	Retailing – Hong Kong, Macau and overseas HK$'000	Retailing – Mainland China HK$'000	Wholesaling – Hong Kong HK$'000	Wholesaling – Mainland China HK$'000	Licensing HK$'000	Inter-segment elimination HK$'000	Reportable segments Total HK$'000	Unallocated HK$'000	Total HK$'000
Segment assets	3,864,219	1,240,816	677,841	1,268,028	356,876	(510,011)	6,897,769		6,897,769
Interests in an associate								7,303	7,303
Land and buildings								210,277	210,277
Investment properties								32,303	32,303
Deferred income tax assets								30,041	30,041
Other unallocated assets								384,182	384,182
Total assets									7,561,875
Segment liabilities	(513,316)	(331,666)	(131,398)	(196,999)	(211,298)	510,011	(874,666)		(874,666)
Deferred income tax liabilities								(42,428)	(42,428)
Current income tax liabilities								(65,536)	(65,536)
Other unallocated liabilities								(101,652)	(101,652)
Total liabilities									(1,084,282)

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

	For the six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
Revenue		
Hong Kong	**6,456,317**	3,865,595
Mainland China	**2,112,604**	1,266,220
Macau and overseas	**1,497,232**	788,986
	10,066,153	5,920,801

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

	As at 30 September 2013				As at 31 March 2013			
	Hong Kong	**Mainland China**	**Macau and overseas**	**Total**	Hong Kong	Mainland China	Macau and overseas	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets								
Property, plant and equipment	**318,128**	**172,019**	**35,479**	**525,626**	326,084	170,335	19,753	516,172
Land use rights	**–**	**188,651**	**–**	**188,651**	–	188,717	–	188,717
Investment properties	**39,603**	**7,023**	**–**	**46,626**	25,259	7,044	–	32,303
Interests in an associate	**7,286**	**–**	**–**	**7,286**	7,303	–	–	7,303
Trading license	**1,080**	**–**	**–**	**1,080**	1,080	–	–	1,080
	366,097	**367,693**	**35,479**	**769,269**	359,726	366,096	19,753	745,575

6 EXPENSES BY NATURE

	For the six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
Cost of sales		
— cost of inventories sold *(Note)*	**7,950,048**	4,575,376
— cost of licensing business *(Note)*	**93,154**	68,859
	8,043,202	4,644,235
Staff costs (including directors' emoluments)	**344,639**	235,867
Operating lease rentals in respect of land and buildings		
— minimum lease payments	**187,370**	124,470
— contingent rents	**111,660**	52,849
Advertising and promotion expenses	**34,128**	29,185
Commission expenses to credit card companies	**89,294**	49,617
Depreciation of investment properties	**606**	744
Depreciation of property, plant and equipment	**50,914**	41,706
Loss on disposal of property, plant and equipment	**470**	252
Amortisation of land use rights	**3,552**	2,683
Insurance	**8,251**	7,336
Packaging materials	**11,738**	5,775
Repairs and maintenance	**4,091**	4,280
Rates and related expenses	**9,708**	5,856
Property management fee	**13,421**	6,007
Others	**89,529**	62,659
Total	**9,002,573**	5,273,521
Representing:		
Cost of sales	**8,043,202**	4,644,235
Selling and distribution costs	**889,827**	574,039
Administrative expenses	**69,544**	55,247
	9,002,573	5,273,521

Note: Cost of inventories sold and cost of licensing business include staff cost (including the directors' emoluments) of HK$92,774,000 (2012: HK$72,927,000).

7 OTHER INCOME

	For the six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
Valued-added tax refund *(Note i)*	**8,311**	30,966
Rental income	**2,466**	2,763
Government subsidies *(Note ii)*	**15,188**	10,820
Others	**2,891**	9,243
	28,856	53,792

Notes:

(i) This represents refund from the tax authority in Mainland China. The amount of refund is based on 13% of the cost of imported diamonds. The Group is entitled to the refund as it is a member of the Shanghai Diamond Exchange and the diamonds are imported through the Shanghai Diamond Exchange.

(ii) This represents subsidies from a municipal government in Mainland China, mainly equivalent to 36% (2012: Nil) of value-added tax, 36% (2012: 42%) of business tax and 24% (2012: 28%) of corporate income tax paid by certain subsidiaries of the Group in Mainland China.

8 OTHER GAINS/(LOSSES), NET

	For the six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
Net realised gains/(losses) on derivative financial instruments	**45,222**	(15,476)
Net unrealised gains on derivative financial instruments	**5,558**	–
Net exchange gains	**6,998**	91
Others	**(41)**	(31)
	57,737	(15,416)

9 FINANCE INCOME AND FINANCE COSTS

	For the six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
Finance income		
— Interest income	**3,938**	4,634
Finance costs		
— Interest expenses on bank borrowings	**(509)**	(311)

10 INCOME TAX EXPENSES

Hong Kong profits tax has been provided for at the rate of 16.5% (For the six months ended 30 September 2012: 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 30 September	
	2013	2012
	HK$'000	*HK$'000*
Current taxation:		
— Hong Kong profits tax	**102,640**	54,807
— Overseas taxation	**76,631**	65,270
Under/(over)-provision in prior years	**4,465**	(221)
Deferred taxation	**4,178**	10,618
	187,914	130,474

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$965,040,000 (2012: HK$558,165,000) and the weighted average number of 589,107,850 (2012: 589,107,850) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30 September 2013 and 2012 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 26 June 2013, the directors recommended the payment of a final dividend of HK$0.48 per ordinary share, totalling HK$282,772,000, for the year ended 31 March 2013. Such dividend was approved by the shareholders at the Annual General Meeting on 20 August 2013, paid during the period ended 30 September 2013 and has been reflected as an appropriation of retained earnings for the period.

At a meeting held on 27 November 2013, the directors declared the payment of an interim dividend of HK$0.63 per ordinary share, totalling HK$371,138,000 for the year ending 31 March 2014. 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 31 March 2014.

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 of trade receivables is as follows:

	As at 30 September 2013	As at 31 March 2013
	HK$'000	*HK$'000*
0–30 days	**196,996**	230,289
31–60 days	**35,728**	53,255
61–90 days	**10,389**	17,915
91–120 days	**1,059**	8,368
Over 120 days	**8,072**	6,802
	252,244	316,629

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$494,690,000 (31 March 2013: HK$445,530,000) and the ageing is as follows:

	As at 30 September 2013	As at 31 March 2013
	HK$'000	*HK$'000*
0–30 days	**284,678**	309,219
31–60 days	**183,356**	120,948
61–90 days	**15,281**	5,034
91–120 days	**10,555**	10,167
Over 120 days	**820**	162
	494,690	445,530

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

15 EVENTS AFTER BALANCE SHEET DATE

On 4 November 2013, the Company entered into the legally non-binding Memorandum of Understanding ("MOU") with Hong Kong Resources Holdings Company Limited ("HKRH"), a company listed in The Stock Exchange of Hong Kong Limited. According to the MOU, the Company will purchase 50% shares in China Gold Silver Group Company Limited ("CGS"), a wholly-owned subsidiary of HKRH engaged in retailing and franchising operations of gold and jewellery products in Hong Kong, Macau and Mainland China under the brandname "3D-GOLD" at a consideration of HK$301 million; the Company will subscribe the convertible bonds of HKRH of approximately HK$57 million with 3% interest rate per annum and 5 years of maturity from date of issuance; the Company will provide consultancy services in relation to the operation of business of 3D-GOLD for a period of 3 years and CGS will pay an annual fee to the Company which will be charged at 6% of the audited consolidated profit before taxation of CGS and its subsidiaries with a capped amount of HK$10 million; the Company and HKRH will agree to commit no less than HK$150 million each into CGS as general working capital and for business expansion of CGS; and the Company will supply raw materials and finished products to CGS at terms mutually agreed between two parties.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

Results

For the six months ended 30 September 2013 (the "Period under review"), the Group achieved another half-year record high in revenue. The revenue reached HK$10,066,153,000 (2012: HK$5,920,801,000), representing a significant growth of 70.0% over that of the same period last year. Total gross profit increased by 58.5% to HK$2,022,951,000 (2012: HK$1,276,566,000). Operating profit increased by 67.7% to HK$1,150,173,000 (2012: HK$685,656,000). The profit attributable to equity holders achieved a record high as well, amounting to HK$965,040,000 (2012: HK$558,165,000), representing a 72.9% growth. Basic earnings per share were HK$1.64 (2012: HK$0.95).

Overview

During the Period under review, the international gold price sharply hit recent new lows several times, triggering gold rushes in April and June. It created a marvellous opportunity for a soaring demand for gold products, driving up the sales volume and revenue of the Group. Both the revenue and gross profit of gold products grew more than double those of the same period last year. Although the gross margin of gold products in the first quarter was relatively low, the rise of gold price in the second quarter led to a significant increase in the gross margin of gold products, thus the gross margin of gold products in the first half of the year remained at a normal level similar to that of last period. In addition, the up-selling during the gold rush periods helped generating a promising increase in the sales of gem-set jewellery products. Together with the upward adjustment of market price, the revenue of gem-set jewellery products increased by 29% while its gross profit grew by 39.7%. However, despite the increase in gross margins of both gold products and gem-set jewellery products, with a higher mix in gold product sales which enjoyed a relatively lower gross margin than gem-set jewellery products, the overall gross margin of the Group during the Period under review experienced a slight decline from 21.6% of the same period last year to current period's 20.1%. On the other hand, the percentage of total operating expenses to revenue dropped from 10.6% to 9.5% as a result of a surge in revenue and relatively high fixed cost content in operating expenses. It helped offsetting the impact of the decrease in the overall gross margin, leading to an operating margin of 11.4%, which was close to last period's level of 11.6%. Net margin for the Period under review was 9.6% which was similar to last period's level of 9.5% too.

During the Period under review, the Group opened a net total of 5, 1 and 1 self-operated shops in Hong Kong, Macau and Mainland China respectively. In addition, the Group opened its first flagship store in Wuhan in May 2013 and a flagship store which was the Group's largest store worldwide in Macau in June 2013. This marked another milestone of the Group in flagship establishment. As at 30 September 2013, the Group had a total of 135 self-operated shops globally in Mainland China, Hong Kong, Macau, Singapore, the United States and Canada. Together with 1,053 licensed shops in Mainland China, the Group had a total of 1,188 shops worldwide at the same date.

The retail business continued to be the primary sales driver for the Group, accounting for 85.8% (2012: 80.3%) of total revenue which represented a growth of 81.7% to HK$8,639,697,000 (2012: HK$4,754,710,000). The wholesale business grew by 16.3% over the previous period to HK$1,103,467,000 (2012: HK$948,696,000), bringing in 11.0% (2012: 16.0%) of the Group's total revenue. Licensing income accounted for the remaining 3.2% (2012: 3.7%) and amounted to HK$322,989,000 (2012: HK$217,395,000), a growth of 48.6%. Gold was the most favourite item among customers and together with platinum contributed approximately 71.8% (2012: 62.7%) to the Group's total sales, while gem-set jewellery products contributed approximately 28.2% (2012: 37.3%).

During the Period under review, overall Same Store Sales Growth* ("SSSG") of the Group was 62.0% (2012: 1.0%). SSSG for Hong Kong and Macau markets and the Mainland China market were 57.9% (2012: 0.0%) and 95.5% (2012: 12.6%) respectively. The SSSG for gold and platinum products was 88.6% (2012: 4.2%), while that for gem-set jewellery products was 15.6% (2012: (4.6%)).

BUSINESS REVIEW

Hong Kong and Macau

Hong Kong remained the key market for the Group, contributing 64.1% (2012: 65.3%) of the Group's total revenue which amounted to HK$6,456,317,000 (2012: HK$3,865,595,000). This represented a growth of 67.0%. As at 30 September 2013, the Group operated a total of 42 (2012: 36) self- operated shops in Hong Kong including a net increase of 5 new shops during the Period under review with 3 of them in prime locations.

Mainland China visitors continued to be the primary customers for the Hong Kong retail business, contributing around 60% of the Group's retail sales in this market. According to the Hong Kong Tourism Board, the total visitor arrival from Mainland China reached 30,101,155 during the period from January to September in 2013, representing a growth of 18.9% as compared with the same period in 2012. Among these arrivals, there was a rise in the number of visitors from the third- and fourth-tier cities in Mainland China, who had broadened the customer base. The continued appreciation of the Renminbi and the absence of goods and services tax in Hong Kong and Macau provided positive sentiment of travelling to both places and strong demand for luxury products which boosted local retail sales.

* Same store sales growth represents a comparison of sales of the same self-operated shop having full month operations in the comparable periods and such data does not include sales of licensed shops.

Macau tourism has also been booming as a result of the "Individual Visit Scheme". According to the Statistics and Census Service of Macau, Mainland arrivals reached 13,950,759 during the period from January to September in 2013, representing an increase of 12.0% over the same period last year. Among these visitors, individual Mainland China visitors accounted for 42.9%. In line with the rapid development of the gambling and tourism industries of Macau, a flagship store with an area of over 16,000 square feet was opened there in June 2013. Serving as the Group's largest flagship store worldwide, it introduced various brand-new elements to create a superior shopping experience for the customers. As at 30 September 2013, the Group had 10 (2012: 8) self-operated shops in Macau. Revenue generated from the Macau market amounted to HK$1,417,173,000 (2012: HK$740,192,000), representing a spectacular growth rate of 91.5%.

The Group has been diversifying its product portfolio to offer customers with wider selection of choices. Since 2010, the Group has been taking advantage of new business opportunities from the mid to high-end watch market. As at 30 September 2013, the Group carried 28 watch brands, including BALL and its BALL for BMW series, BULOVA, CERTINA, COINWATCH, CORUM, DOXA, ENICAR, ERNEST BOREL, GRONEFELD, H. MOSER & CIE, HAMILTON, LAMBORGHINI, LONGINES, LUDOVIC BALLOUARD, MAURICE LACROIX, MIDO, OMEGA, RADO, TAG HEUER, TISSOT, URWERK, EMILE CHOURIET, HUBLOT, ARNOLD & SON, ZENITH, ORIS, BALMAIN and BVLGARI. For the Period under review, the watch business contributed a revenue of HK$119,962,000 (2012: HK$104,621,000), representing 1.2% (2012: 1.8%) of the Group's total revenue with 14.7% growth over last year.

Mainland China

The Group continued to benefit from the fast expansion in Mainland China during the Period under review. Revenue from Mainland China amounted to HK$2,112,604,000 (2012: HK$1,266,220,000), which represented 21.0% (2012: 21.4%) of the Group's total revenue and 66.8% growth over last year.

The Group has been actively expanding the Mainland China's jewellery business in the past. Its retail network covers over 291 cities and autonomous regions from 31 provinces across the country. To further secure market share, the Group unveiled the establishment of Mainland's first flagship store in Wuhan in May 2013, successfully marked a new milestone of the Group's attempt to tap into the Mainland China market. During the Period under review, the Group opened a net of 109 new licensed shops and 1 self-operated shop in Mainland China, accumulating the total number of licensed shops and self-operated shops in the region to 1,053 and 79 respectively.

Overseas Development

Adhering to its motto "Brand of Hong Kong, Sparkling the World", the Group operated four overseas shops, including 1 in Singapore, 2 in the United States and 1 in Canada, during the Period under review.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 September 2013, the Group's cash and cash equivalents were approximately HK$1,482 million (31 March 2013: approximately HK$1,187 million). The Group's bank borrowings at the period-end was HK$Nil (31 March 2013: HK$Nil) while total shareholders' equity was approximately HK$7,137 million (31 March 2013: approximately HK$6,425 million).

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

Capital Expenditure

During the Period under review, the Group incurred capital expenditures of approximately HK$74 million (2012: HK$240 million), including the costs of leasehold improvements, furniture, fixtures and equipment.

As at 30 September 2013, the Group's inventory balance was HK$5,592 million (2012: HK$4,807 million), while average inventory turnover days decreased by 61 days to 121 days (2012: 182 days).

Capital Commitments

As at 30 September 2013, the Group had total capital commitments in terms of property, plant and equipment acquisitions valued at approximately HK$72 million (2012: HK$16 million).

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 September 2013.

Human Capital Policy

As at 30 September 2013, the Group had approximately 5,900 employees (31 March 2013: 5,400 employees). Remuneration policies were reviewed and approved by the management regularly. Remuneration packages were structured to be comparable to the market while bonuses and other merit payments were correlated to the performance of the Group and the performance of individual employee. The policy is to encourage employees to optimize business performance by offering financial incentives.

BRANDING

The Group has put substantial effort in the past years in building a brand image that is welcoming and warm-hearted by upgrading the stores' presentation and service, embarking upon extensive marketing campaigns, and executing a wide range of joint promotions, exhibitions and sponsorships, introducing different product collections, creating a warm and cosy 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 Lukfook brand over the years. The Group unveiled a new TV commercial during the Period under review along with various innovative marketing campaigns and promotions. Intensive marketing campaigns will help us communicate our unique brand image to the public and retain customer loyalty.

OUTLOOK

The Group maintains a prudent yet positive attitude towards its overall business growth and outlook in the second half of this fiscal year. Gold price maintains at a low level leading to a continual demand for gold, which will be beneficial to the Group's sales growth though there might be some advance purchases during the gold rush periods. With this in mind, the Group believes that retail sales will continue to be benefitted from wedding- and celebration-related sales as 2014 is a year with "double spring" and a "leap month" in Chinese calendar, together with the combination of the western Valentine's Day and Lantern Festival on the same day.

The economy in Mainland China is under steady yet robust development. Its growth potential is far beyond Hong Kong and Macau. The Group will expand its retail network mainly by the licensing model in third- and lower-tier cities. It is estimated that a total of 200 licensed shops and 5 to 10 self-operated shops will be opened within the current financial year. In addition, as one of our strategic moves and followed by the establishment of a flagship store in Wuhan in May 2013, the Group will keep on opening flagship stores in prominent cities to strengthen our market penetration such as Chengdu. Wedding zones will be added in these shops to cater the needs of the customers and serve them with care.

In Hong Kong, the major geographic profit contributor for the retail business of the Group, despite the fact that rising rental costs continues to pose a challenge to the operating costs, the Group will continue to identify suitable locations including high-traffic railway stations so as to expand its network. It will open 4 to 5 new shops along the railway stations in this financial year, striving to maintain rental costs at reasonable levels and further search for opportunities in prime locations as appropriate. On the other hand, the booming of the gambling and tourism industries in Macau has driven up the consumption in the region, contributing a considerable amount of profit for the Group. The Group will open new shops mainly in casinos and resorts with a target of an annual addition of 1 to 2 new shops in order to reach potential customers effectively.

With locations in Singapore, the United States and Canada, the brand gains exposure in overseas markets continuously. For the sake of expanding its global sales network, the Group will open a new shop in Sydney, Australia in the fourth quarter to extend its retail territory to the southern hemisphere. In the future, the Group will seek new locations in attractive markets, both new and existing, to further extend its global footprint.

On 4 November 2013, the Company signed the legally non-binding Memorandum of Understanding ("MOU") with Hong Kong Resources Holdings Company Limited ("HKRH"), a company listed in The Stock Exchange of Hong Kong Limited. According to the MOU, the Company will purchase 50% shares in China Gold Silver Group Company Limited ("CGS"), a wholly-owned subsidiary of HKRH engaged in retailing and franchising operations of gold and jewellery products in Hong Kong, Macau and Mainland China under the brandname "3D-GOLD" at a consideration of HK$301 million; the Company will subscribe the convertible bonds of HKRH of approximately HK$57 million with 3% interest rate per annum and 5 years of maturity from date of issuance; the Company will provide consultancy services in relation to the operation of business of 3D-GOLD for a period of 3 years and CGS will pay an annual fee to the Company which will be charged at 6% of the audited consolidated profit before taxation of CGS and its subsidiaries with a capped amount of HK$10 million; the Company and HKRH will agree to commit no less than HK$150 million each into CGS as general working capital and for business expansion of CGS; and the Company will supply raw materials and finished products to CGS at terms mutually agreed between two parties. With the Group's expertise in jewellery retail sector as well as brand management, the Group is confident in enhancing the "3D-GOLD" brand and its retail network. The partnership of two prominent brands with similar business concepts will create effective synergy to facilitate both parties' long term development, enhance our competitiveness, achieve further economies of scale and offer sustainable returns to shareholders.

Looking ahead, the Group adopts a cautiously optimistic attitude towards the economic environment and business prospect in future. Riding on the competencies on appealing designs, stringent quality control, effective marketing and branding strategies as well as strong financial strengths, the Group will endeavor to secure market share and strengthen its leading position in the international jewellery retail market. To further enhance the brand image, the Group will place more resources on branding promotions and make a lasting commitment to upholding excellent services to the esteemed customers around the world.

INTERIM DIVIDEND

The Board has resolved to declare a record high interim dividend of HK$0.63 (2012: HK$0.38 per share) per ordinary share for the six months ended 30 September 2013 to shareholders whose names appear on the register of members of the Company on 12 December 2013. The interim dividend will be paid on or around 20 December 2013.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company for the interim dividend will be closed on 12 December 2013 and no transfer of shares will be registered on that day. 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 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 11 December 2013.

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, high 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 throughout the six months ended 30 September 2013 (the "Interim Period"), except for the following deviation:

Code Provision A.2.1 of the Code as contained in Appendix 14 to the Listing Rules provides 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 view of the increasing trend of business deriving from the Mainland China 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 Mainland China market due to the norms in the Mainland China market on "status parity" when future business negotiations are conducted in the Mainland China. 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as a code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, it is confirmed that all directors have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions during the Interim Period.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the Interim Period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the Interim Period.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the "Audit Committee") comprises five Independent Non-executive Directors with written terms of reference in accordance with the requirements of the Listing Rules, and reports to the Board. The Audit Committee has reviewed and discussed with the management the unaudited consolidated interim results of the Group for the Interim Period. PricewaterhouseCoopers as the Company's auditor has reviewed the unaudited interim results of the Group for the Interim Period under review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT 2013/2014

This interim results announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited (the "HKEx") (www.hkexnews.hk) and the Company (lukfook.com). The Interim Report 2013/2014 will be despatched to the shareholders of the Company and will be published on the websites of the HKEx and the Company in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our gratitude and appreciation to all of our staff, shareholders and business partners for their hard work and dedication. I also wish to thank our customers for their continuous support all these years. The Group will endeavor to strive for the best in the future to develop Lukfook into an international brand.

By Order of the Board
Luk Fook Holdings (International) Limited
WONG Wai Sheung
Chairman & Chief Executive

Hong Kong, 27 November 2013

As at the date of this announcement, the Company's Executive Directors are Mr. WONG Wai Sheung (Chairman and Chief Executive), Mr. TSE Moon Chuen (Deputy Chairman), 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 Miss YEUNG Po Ling, Pauline, Mr. HUI Chiu Chung, JP and Mr. LI Hon Hung, MH, JP; the Independent Non- executive Directors are Mr. TAI Kwok Leung, Alexander, Mr. IP Shu Kwan, Stephen, GBS, JP, Mr. FOK Kwong Man, Mr. MAK Wing Sum, Alvin and Ms. WONG Yu Pok, Marina, JP.