

LUK FOOK HOLDINGS (INTERNATIONAL) LTD :
ALL THAT GLITTERS IS GOLD

While publicly listed Tse Sui Luen Jewellery (International) Ltd (Code: 417) struggles to make ends meet, with the former Chairman, now an undischarged bankrupt, one of Tse Sui Luen's arch rivals is ploughing ahead at a record pace.

The company is Luk Fook Holdings (International) Ltd (Code: 590), a jewellery manufacturer as well as being a wholesaler and retailer of gold, jewellery and gem-set jewellery.

In other words, it does just about the same things that Tse Sui Luen does, minus playing the property market and making forays into uncharted (stock-market) waters.

For the Financial Year, ended March 31, 2000, Luk Fook Holdings turned in a Net Profit Attributable to Shareholders of about \$HK80.37 million.

This represented an increase of about 97.57 percent over the results for the 1999 Financial Year – which, in itself, was the worst Year since before 1996.

The record profits of Luk Fook Holdings were not achieved by '*playing*' the stock market or speculating on the property market, but simply by sticking to the Company's Principal Activities.

Luk Fook Holdings appears to be an old-fashioned company, which manufactures merchandise in order to meet customers' requirements.

It, recently, made an entrance into the securities industry by linking up with OSK Asia Securities Ltd, but that would appear to be as far as this Company has gone along this road, at least, according to the Annual Report for the 2000 Financial Year.

The Financials

Looking at the Consolidated Profit and Loss Account of this Company for the past Financial Year, one notes some pretty healthy figures:

Turnove	Up 18.75 percent on the 1999 figure, to \$HK1.71 billion
Gross Profit	Up 33.18 percent on the 1999 figure, to \$HK329.20 million
Gross Profit Margin	Up 12.13 percentile points on the 1999 figure, to 19.23 percent

This Company operated a total of 18 shops in the past Year, these shops, mainly being located in the heart of some of the busiest shopping areas in Hongkong – Wanchai, Causeway Bay, North Point – to the New Territories, not very far from the Hongkong – China Border.

The 18 shops comprised 15 older establishments with 3 new ones, located in Mongkok, Kowloon, North Point, Hongkong, and Shatin, the New Territories.

In order to service its customer base, production was stepped up in Panyu, Guangdong, the People's Republic of China (PRC), where Luk Fook had its subcontractor hire an additional 300 workers.

The cost of the 3 new stores, established in the past Year, set the Company back about \$HK28.29 million, according to Note 11 at Page 52 of the 2000 Annual Report.

Whether or not this Company's products are superior to any other company of similar ilk, TARGET has no idea, but, in terms of Management ability, this Company appears to shine.

The following is a table, setting out the Company's 5-Year financial summary:

Financial Year ends March 31					
	1996	1997	1998	1999	2000
All Figures are Denominated in \$HK'000					
Turnover	1,063,253	1,507,382	1,738,242	1,444,713	1,711,841
Profit Attributable to Shareholders	46,494	62,318	78,028	40,680	80,371
Total Assets	357,115	392,438	465,333	482,359	540,445
Total Liabilities	194,103	176,007	111,833	110,979	123,190
Shareholders' Funds	163,012	216,431	353,500	371,380	417,255

As at the Balance Sheet Date, March 31, 2000, this Company had bank balances and cash of about \$HK70.41 million, which was a reduction from the 1999 figure of about \$HK25.13 million.

No doubt, the drop in the cash position was due to the requirements to purchase new premises, plus decorate the new shops.

In terms of the Current Ratio, as at Balance Sheet Date, it stood at about 4.08 times, indicating that, in spite of this Company, clearly headed for higher (profits') ground, Management still maintains an attitude of circumspect frugality.

The Company appears to have zero long-term debt and has Current Liabilities of about \$HK84 million, being trade and other payables.

On the other side of the coin, however, it is noted that the frugality of Management is exemplified by the fact that, in total, 7.50 cents was the combined interim and final dividend.

These 2 dividends absorbed about \$HK34.20 million, equal to about 42.55 percent of the Net Profit Attributable to Shareholders.

At the current share price of this company, about 44 cents, the total dividends ... [CLICK TO ORDER FULL ARTICLE](#)

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