



LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 590)

Website: www.lukfook.com.hk

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH 2008

The Board of Directors (the “Board”) of Luk Fook Holdings (International) Limited (the “Company” or “Luk Fook”) is pleased to announce the audited annual results of the Company and its subsidiaries (the “Group”) for the year ended 31st March 2008 together with comparative figures for the corresponding period in 2007 as follows:

CONSOLIDATED INCOME STATEMENT

(For the year ended 31st March 2008)

	Note	2008 HK\$'000	2007 HK\$'000
Turnover	2	3,367,182	2,845,147
Cost of sales	3	(2,529,490)	(2,257,306)
Gross profit		837,692	587,841
Other income		93,339	49,676
Selling and distribution costs	3	(497,832)	(375,504)
Administrative expenses	3	(62,118)	(45,886)
Other gains	4	1,278	12,586
Operating profit		372,359	228,713
Finance income		4,113	6,154
Finance costs		(3,429)	(179)
Finance income, net		684	5,975
Share of results of an associate		(856)	—
Profit before taxation		372,187	234,688
Taxation	5	(54,235)	(35,728)
Profit for the year		317,952	198,960
Profit attributable to:			
Equity holders of the Company		313,989	198,059
Minority interests		3,963	901
		317,952	198,960
Earnings per share for profit attributable to the equity holders of the Company	6		
Basic		HK63.8 cents	HK40.3 cents
Diluted		HK63.8 cents	HK40.3 cents
Dividends		125,590	88,652

CONSOLIDATED BALANCE SHEET

(As at 31st March 2008)

	<i>Note</i>	2008 HK\$'000	2007 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		117,463	103,130
Leasehold land and land use rights		17,035	8,169
Interests in an associate		874	–
Trading licence		1,080	1,080
Rental deposits		24,624	21,915
Deferred tax assets		14,915	7,468
		175,991	141,762
Current assets			
Inventories		1,245,500	751,854
Trade receivables	7	33,533	19,318
Deposits, prepayments and other receivables		45,712	32,561
Amount due from an associate		19,888	–
Bank balances and cash		185,380	174,534
		1,530,013	978,267
Total assets		1,706,004	1,120,029
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		49,250	49,250
Share premium		58,884	58,884
Reserves		897,843	687,786
Proposed dividends		76,339	54,176
		1,082,316	850,096
Minority interests		16,049	12,789
Total equity		1,098,365	862,885

	<i>Note</i>	2008 HK\$'000	2007 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		74	129
Current liabilities			
Trade and other payables	8	293,454	227,304
Short-term bank loans		273,000	–
Taxation payable		41,111	29,711
		607,565	257,015
Total liabilities		607,639	257,144
Total equity and liabilities		1,706,004	1,120,029
Net current assets		922,448	721,252
Total assets less current liabilities		1,098,439	863,014

NOTES:

1 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention except that certain financial assets and financial liabilities are measured at fair value, as appropriate.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

The following standards, amendments and interpretations to the standards are mandatory for the financial year ended 31st March 2008. The adoption of these standards, amendments and interpretations to the standards does not have any significant impact to the results and financial position of the Group.

HKFRS 7 and HKAS 1 (Amendment)	HKFRS 7, “Financial instruments: Disclosures”, and the complementary amendment to HKAS 1, “Presentation of financial statements: Capital disclosures”
HKFRIC Int 8	Scope of HKFRS 2
HKFRIC Int 9	Re-assessment of embedded derivatives
HKFRIC Int 10	Interim financial reporting and impairment
HKFRIC Int 11	HKFRS 2 – Group and treasury share transactions

The following new standards, amendments and interpretations to the standards have been issued but are not effective for the financial year ended 31st March 2008 and have not been early adopted by the Group. The Group anticipates that the adoption of these new standards, amendments and interpretations to the standards will not result in a significant impact on the results and financial position of the Group.

HKFRS 2 (Amendment)	Share-based payment – vesting conditions and cancellations (effective from 1st January 2009)
HKFRS 3 (Revised)	Business combinations (effective from 1st July 2009)
HKFRS 8	Operating segments (effective from 1st January 2009)
HKAS 23 (Revised)	Borrowing costs (effective from 1st January 2009)
HKAS 27 (Revised)	Consolidated and separate financial statements (effective from 1st July 2009)
HKAS 32 and HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation (effective from 1st January 2009)
HKFRIC Int 12	Service concession arrangements (effective from 1st January 2008)
HKFRIC Int 13	Customer loyalty programmes (effective from 1st July 2008)
HKFRIC Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction (effective from 1st January 2008)

2 **TURNOVER AND SEGMENT INFORMATION**

The Group is principally engaged in the retailing and wholesaling of gold jewellery and gold ornaments, gem-set jewellery and gemstones, and other accessory items.

Turnover represents invoiced sales of goods and includes an amount of HK\$625,268,000 (2007: HK\$641,913,000) which was settled by gold bullion and the gold bullion was in turn used for settlement of trade payables.

Primary reporting format – business segments

The Group is organised mainly in Hong Kong and The People's Republic of China into two major business segments:

- Retailing of jewellery
- Manufacturing and wholesaling of jewellery, including the provision of technical support and consultancy services, and quality control of jewellery products to certain licensees.

Other operations of the Group mainly represent investments and services relating to internet and software development.

Primary reporting format – business segments

	Retailing		Manufacturing and wholesaling		Other operations		Eliminations		Group	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover from external customers										
– Sales of merchandises	2,501,322	1,847,555	232,090	182,825	–	–	–	–	2,733,412	2,030,380
– Sales of scrap gold and platinum and gold bullion	–	–	629,509	812,224	–	–	–	–	629,509	812,224
– Others	–	–	–	–	4,261	2,543	–	–	4,261	2,543
Inter-segment sales	94,284	55,805	869,910	588,128	–	–	(964,194)	(643,933)	–	–
	2,595,606	1,903,360	1,731,509	1,583,177	4,261	2,543	(964,194)	(643,933)	3,367,182	2,845,147
Other income from external customers	498	1,713	89,015	43,243	3,826	4,720	–	–	93,339	49,676
Inter-segment other income	–	–	–	–	611	578	(611)	(578)	–	–
Total	2,596,104	1,905,073	1,820,524	1,626,420	8,698	7,841	(964,805)	(644,511)	3,460,521	2,894,823
Segment results	270,893	163,105	191,667	100,140	2,380	3,460	(39,432)	(8,590)	425,508	258,115
Gain on disposal of a property	–	–	–	–	–	10,610	–	–	–	10,610
Gain on deemed disposal of a subsidiary	–	–	26	–	–	–	–	–	26	–
Interest income									1,882	2,438
Unallocated costs									(50,944)	(36,296)
Operating profit									376,472	234,867
Finance costs									(3,429)	(179)
Share of results of an associate									(856)	–
Profit before taxation									372,187	234,688
Taxation									(54,235)	(35,728)
Profit for the year									317,952	198,960
Segment assets	1,053,815	722,486	1,011,018	830,096	11,678	12,621	(478,324)	(518,920)	1,598,187	1,046,283
Unallocated assets									107,817	73,746
Total assets									1,706,004	1,120,029
Segment liabilities	(610,127)	(640,282)	(157,732)	(99,811)	(774)	(1,649)	478,324	518,920	(290,309)	(222,822)
Short-term bank loans									(273,000)	–
Unallocated liabilities									(44,330)	(34,322)
Total liabilities									(607,639)	(257,144)
Depreciation – allocated	18,193	13,186	9,373	8,070	14	18	–	–	27,580	21,274
– unallocated									4,402	4,219
									31,982	25,493
Amortisation – allocated	16	16	305	133	7	7	–	–	328	156
– unallocated									13	13
									341	169
Capital expenditure – allocated	31,795	19,112	17,200	7,745	–	–	–	–	48,995	26,857
– unallocated									2,711	1,406
									51,706	28,263

Secondary reporting format – geographical segments

	Turnover		Total assets		Capital expenditure	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Hong Kong	2,935,495	2,690,128	1,057,684	809,032	23,161	16,587
PRC	263,064	38,938	529,450	252,396	21,004	9,033
Others	168,623	116,081	118,870	58,601	7,541	2,643
	<u>3,367,182</u>	<u>2,845,147</u>	<u>1,706,004</u>	<u>1,120,029</u>	<u>51,706</u>	<u>28,263</u>

3 EXPENSES BY NATURE

	2008 HK\$'000	2007 HK\$'000
Cost of inventories sold	2,529,490	2,257,306
Staff costs (including directors' emoluments)	227,466	176,772
Operating lease rentals in respect of land and buildings	126,685	103,188
Depreciation of property, plant and equipment	31,982	25,493
Auditor's remuneration	3,164	2,846
Loss on disposal of property, plant and equipment	1,027	2,124
Amortisation of leasehold land and land use rights	341	169
Deficit on revaluation of other properties	46	269
Others	169,239	110,529
Total	<u>3,089,440</u>	<u>2,678,696</u>

Representing:

	2008 HK\$'000	2007 HK\$'000
Cost of sales	2,529,490	2,257,306
Selling and distribution costs	497,832	375,504
Administrative expenses	62,118	45,886
	<u>3,089,440</u>	<u>2,678,696</u>

4 OTHER GAINS

	2008 HK\$'000	2007 HK\$'000
Gain on disposal of a property	–	10,610
Write back of provision for slow-moving inventories	1,252	1,976
Gain on deemed disposal of a subsidiary	26	–
	<u>1,278</u>	<u>12,586</u>

5 TAXATION

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Hong Kong profits tax		
– current	59,120	37,047
– over-provision in prior years	(108)	(2,316)
Overseas taxation	2,725	2,702
Deferred taxation	(7,502)	(1,705)
	<u>54,235</u>	<u>35,728</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

6 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\$313,989,000 (2007: HK\$198,059,000) and the weighted average number of 492,507,850 (2007: 491,645,066) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the Group's profit attributable to equity holders of the Company of HK\$313,989,000 (2007: HK\$198,059,000) and the weighted average number of 492,507,850 (2007: 491,645,066) ordinary shares in issue during the year after adjusting for the effects of all potential dilutive ordinary shares deemed to be issued at no consideration if all outstanding share options granted under the share option scheme of the Company had been exercised.

7 TRADE RECEIVABLES

The majority of the Group's sales are on cash basis. Credit sales are mainly for the Group's wholesale customers with terms of 0 to 90 days.

The ageing analysis of trade receivables is as follows:

	Group 2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0 – 30 days	26,978	17,951
31 – 60 days	3,874	933
61 – 90 days	2,488	55
91 – 120 days	–	168
Over 120 days	193	211
	<u>33,533</u>	<u>19,318</u>

The carrying amounts of trade receivables approximate their fair values.

8 TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$142,434,000 (2007: HK\$123,402,000) and their ageing analysis is as follows:

	Group	
	2008	2007
	HK\$'000	HK\$'000
0 – 30 days	91,607	80,352
31 – 60 days	33,889	33,702
61 – 90 days	11,185	5,591
91 – 120 days	3,316	3,360
Over 120 days	2,437	397
	<u>142,434</u>	<u>123,402</u>

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

FINANCIAL PERFORMANCE

Results

For the year ended 31st March 2008, the Group's total turnover was approximately HK\$3,367,182,000, which represented a 18.3% growth as compared to HK\$2,845,147,000 in the previous year. Profit attributable to shareholders rose 58.5% to approximately HK\$313,989,000 from HK\$198,059,000 of last year. Operating profit margin improved from 8.0% to 11.1%. Basic earnings per share were HK63.8 cents (2007: HK 40.3 cents).

Dividend

The Directors proposed a final dividend of HK15.5 cents per share (2007: HK 11.0 cents per share) for the year ended 31st March 2008. In addition to the interim dividend of HK 10.0 cents per share already paid, the dividend for the full year amounted to HK25.5 cents per share (2007: HK 18.0 cents per share). The proposed dividend will be paid on 12th September 2008 following the approval at the Annual General Meeting.

Overview

The overall performance in the financial year 2007/08 was encouraging. Our total turnover maintained a satisfactory double-digit growth. Thanks to the robust local financial market and the fast growing PRC economy, Hong Kong and PRC consumers generally grew in wealth and enjoyed rising living standard. Despite the volatile Asian stock markets in early 2008, the economic conditions in Hong Kong remain steady and the PRC economy continues to show strong growth.

The Group's turnover of the retail and wholesale business accounted for 74% and 26% of the total turnover respectively. Notwithstanding the surging gold prices during the year, gold products remained popular among customers, especially PRC tourists who buy gold as investments. For the year ended 31st March 2008, gold products contributed approximately 47% of the Group's turnover excluding trade-in transaction and the remaining 53% was mainly taken up by gemstone jewellery.

Meanwhile, the appreciation of Renminbi has encouraged the PRC consumers to buy more luxury products like jewellery. Indeed, from the figures of the Hong Kong Tourism Board, the spending per capita of the PRC tourists in Hong Kong in 2007 increased by 10.4% to HK\$5,193 from that of last year, which was the highest growth rate among overnight visitors.

BUSINESS PERFORMANCE

The Hong Kong Market

The Hong Kong market remained the key market of the Group. The Hong Kong operation accounted for approximately 87% of the total turnover. As at 31st March 2008, the Group operated 28 shops under the brand name of “Luk Fook” in Hong Kong. During the year under review, the Group opened four new shops in Mong Kok, Causeway Bay and Central. Meanwhile, the Group’s shop renovation project entered the final stage. Only the 2 shops in Shatin and the Hong Kong International Airport are yet to be renovated. To enhance profitability, the remaining Ice g. shop was closed down during the year.

We estimated that over 50% of Hong Kong retail sales were contributed by the PRC tourists. The continuous appreciation of Renminbi has stimulated the purchasing appetite of the PRC consumers to shop in Hong Kong. Thus, the huge spending of the PRC tourists has been the key support of our Hong Kong sales, besides local consumers. For the year ended 31st March 2008, turnover from our retail business in Hong Kong grew by 35% from last year.

PRC Market

The Group believes the licensing operation in the PRC is an effective way to expand in the PRC and enhance the Group’s brand awareness. As at 31st March 2008, the Group had over 340 licensee shops in the PRC.

While continuing to expand our licensee shop network, the Group also set up self-operated shops to increase brand equity and shorten the learning curve of licensee shops. During the year, the Group increased the presence of self-operated shops in the PRC. Seven new shops were established in six cities including Beijing, Shanghai, Hangzhou, Ningbo, Lanzhou and Jinan, bringing the number of self-operated shops in the PRC to a total of 11.

Macau Market

With the establishment of more casinos and new attractions, Macau has gradually transformed into a large-scale entertainment city where tourist arrivals continued to increase year on year. More than that, it has out-competed Las Vegas during year 2007 and is by now the world’s largest casino market. In December 2007, the Group opened the third self-operated shop in the Grand Canal Shoppes at the Venetian Resort. We considered the Venetian Resort an ideal location to cater to the demand of the upper class customers. Our other two shops in Macau also benefited from the growing tourists arrivals and rising tourist consumption.

Overseas Market

The Group continued to explore potential overseas markets to realize its globalization strategy. While we extended our geographical reach to more PRC cities during the year, our global retail network has also

been broadened to new overseas markets. Apart from the retail outlets in Canada and the US, the Group opened another new shop under the brand name of “Luk Fook” in New York in December 2007. The Group is exploring further possibility to open another new shop in Las Vegas of the US.

BUSINESS REVIEW

Products

The Group diversifies its product portfolio by launching a series of new products featuring celebrations and festivals in order to reach and secure various customer segments. The followings were the new products launched during the year:

- Pure gold ornaments “Lucky Golden Mouse” in celebration and memory of the Year of Mouse
- Mini gold accessories of the twelve auspicious animals of the Chinese Zodiac
- A variety of 18K gold products under “K Gold” Series
- “Once a Decade” Collection & “The HKSAR 10th Anniversary” Stamp Set to celebrate the 10th Anniversary of Hong Kong’s re-unification with the PRC
- Elegant and stylish “Sol Diamond” Collection
- “Floral Inspiration” Collection which features 18K platinum and diamond
- Chinese wedding character “Xifu” Collection for wedding
- “Perfect Lover” Collection for romantic Valentine’s Day
- Trendy “Unique Happiness” Collection by Forevermark which caters to contemporary women in cosmopolitan
- “Touching” Series for Mother’s Day

Sales Network

As at 31st March 2008, the Group had 44 wholly owned retail outlets under the brand name of “Luk Fook” in the PRC, Hong Kong, Macau, the United States and Canada. Besides, the Group operated a retail outlet “Luvina Jewelers” in San Jose, California of the United States. Four new shops were opened in Hong Kong during the year, bringing the number of shops in Hong Kong to a total of 28. Nine of them are located along Nathan Road, a popular shopping district of the PRC tourists, so as to stimulate the spending of the PRC customers.

During the year, the Group operated a total of 11 self-operated shops in Guangzhou, Beijing, Shanghai, Hangzhou, Lanzhou, Ningbo and Jinan in the PRC. Five of them are located in Beijing to take the advantages of the domestic retail industry brought by the Beijing Olympics. Moreover, most self-operated shops were opened in large-scale department stores to accommodate the consumption behaviors of the PRC customers. The Group’s licensee shops in the PRC were also increased to over 340 as at 31st March 2008, spreading across as many as 29 provinces and 127 cities.

Marketing and Promotion

In line with the corporate motto of “Brand of Hong Kong Sparkling the World”, the Group has dedicated to developing marketing and publicity campaigns that will enhance its brand awareness in global jewellery market and facilitate its extension of global retail network. Meanwhile, the Group also adopted both long-term and creative marketing strategies in its key markets to publicize its revamped brand image to more customer segments and to boost sales.

During the year, the Group continued to actively design and execute various initiatives including TV, print, outdoor and Internet advertising, direct marketing, public relations, and events such as jewellery sponsorships and exhibitions. Below were some highlights:

- Sponsored the diamond crown and jewellery pieces for the winners of “Miss Hong Kong Pageant” for the 10th consecutive year
- Being the sole sponsor for the winners’ jewellery pieces in “Miss Asia Pageant 2007”
- Sponsored the jewellery pieces for the winners of “City Beauties Pageant 2007” in Guangzhou, the PRC
- Sponsored the “Miss Chinese Pageant” in Vancouver and Toronto, Canada, for several years
- Participated in numerous renowned jewellery exhibitions in Hong Kong, Macau, and Hangzhou, the PRC, such as the “Hong Kong Jewellery and Watch Fair”, “Style Hong Kong, Hangzhou”, and “Macau International Jewelry & Watch Fair”, which was first introduced in The Venetian Macao-Resort-Hotel
- Extensive TV advertisement placed on major television channels in both China and Hong Kong. Actively involved in sponsorship of TV programmes and hot drama series by means of product placement
- The enormous success of partnership with Forevermark and World Gold Council, which made great progress in striking the delicate balance between Luk Fook and fine jewellery, providing a never-ending source of gift idea and tempting romance
- Sponsored Forevermark’s “All About Love Miriam Yeung Concert”
- Invited celebrities to attend a series of ribbon-cutting events in celebration of the grand opening of licensee shops in various provinces in the PRC
- Notable success in launching the “Sol Diamond” Collection, which was well-received by ladies in the market
- We introduced a wide range of new designs and collections for major festivals including Mother’s Day, Valentine’s Day, Christmas, National Day and Lunar New Year, creating excitement and broadening the appeal of our merchandise assortment

During the year, the Group's "Touching Series" of Mother's Day Campaign was awarded the "Poster Campaign of the Year – Silver" in "The Best of the Best Awards 2007" for MTR Advertising, and "The Kam Fan Awards" organized by the Association of Accredited Advertising Agencies of Hong Kong. All the awards demonstrated the Group's endeavor in the pursuit of marketing excellence.

Brand Management

The Group's well-developed brand management system, which aims to convey a consistent brand image and enhance its superior brand equity in the markets, continued to reinforce its trusted brand image and bolster purchasing confidence among customers.

During the year, the Group obtained a number of awards in recognition of its outstanding achievements in brand building and management. They included: the "PRC Consumers' Most Favorable Hong Kong Brands" and "The Most Favorable Brands of the Nation" in the "PRC Consumers' Most Favorable Hong Kong Brands" Competition, which was jointly organized by JUST Events Limited and the China Enterprise Reputation and Credibility Association (Overseas) Limited, as well as "The Best Brand Enterprises Award" conferred by the Hong Kong Productivity Council.

Gaining international recognitions also helped strengthening the Group's position in the global jewellery industry. The Group was ranked one of the top 10 retailers in Hong Kong and obtained "The 4th Retail Asia Pacific Top 500 Awards" (2007) among 14 economies by "Retail Asia", a regional retail information provider based in Singapore. The Group was also awarded in the fourth year of "Asia's Top 1000 Brands" by a credible magazine "Media". Amid brands from nine markets in the Asia Pacific region, the Group's ranking has been promoted from 827 to 610.

Production

The Group produces a portion of gold ornaments and gem-set jewellery in the PRC as well as Hong Kong. Apart from the processing house in Hong Kong, the Group invested approximately HK\$100,000,000 to establish a large jewellery processing plant in Panyu, Guangdong, the PRC, with a total floor area of over 350,000 square feet, in order to attain cost effectiveness and production efficiency. The balance of the Group's products are sourced from Hong Kong and overseas regions. In early 2008, the factory was accredited the ISO 9001:2000 Quality Management System, which is a professional qualification for the quality assurance system of its products.

Portal Operation

The Group's jewellery portal "www.jewellworld.com" or "www.jw28.com" is an electronic gateway for the global jewellery industry. It not only serves as a business-to-business trading platform among jewellery manufacturers, wholesalers and retailers worldwide, but also an additional promotion and distribution channel for the Group.

Design

In view of the flourishing market of young customers who have high spending habit, the Group has put an emphasis on fashionable jewellery design like diamond to explore the market. With the Group's outstanding and award-winning design teams, who are experienced in combining the elements of traditional and modern jewellery, along with exquisite craftsmanship, the Group's products were well received by the markets all these years.

The Group was also keen on participating in various local and international jewellery design competitions during the year. A number of awards were gained in these competitions, which included: “The 9th Hong Kong Jewellery Design Competition”, “The Tahitian Pearl Trophy Asia 5th Edition”, “Chuk Kam Jewellery Design Competition 2008”, and “The Buyers’ Favourite Jewellery Design Competition 2007”.

Quality Assurance

The Group is committed to maintaining the highest levels of product quality. To ensure the best quality of products, the Group set up its wholly owned subsidiary gems laboratory “China Gems Laboratory Limited” in 1996. Its scope of services includes authentication, grading of diamonds, and authentication of jades and colored gemstones and quality assessment of jewellery. The Laboratory is operated by dozens of certified gemologists who specialize in the authentication of gemstones and jade. Every year, the laboratory tests for over 100,000 pieces of jewellery and gemstones on average. With the ISO 17025 qualification accredited by the Hong Kong Accreditation Service, the Laboratory also successfully met the principles of ISO 9001:2000 Quality Management Systems – Requirements, demonstrating the professional quality assurance system of the Group. China Gems Laboratory is the sole subsidiary laboratory of local jewellery retailer obtaining this qualification. The Group is now actively considering to set up China Gems Laboratory in Macau and other overseas regions in order to further strengthen its international position in jewellery authentication.

Environmental Protection

In response to the growing corporate awareness in environmental protection, the Group has already started adopting eco-friendly operational practices at the manufacturing plant in the PRC, including air purification, expansion of green gardens and sewage treatment. Other initiatives were also designed by the Group to foster green businesses. The Group is now cooperating with the Hong Kong Productivity Council to carry out a power saving campaign in a retail outlet with an aim to significantly reduce the power consumption of the shop.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group’s core business is gold and jewellery retailing. As at 31st March 2008, the Group’s cash on hand reached approximately HK\$185 million (2007: HK\$175 million). The Group’s bank borrowings-to-equity ratio at the year-end, being the proportion of total bank borrowings of approximately HK\$273 million (2007: Nil) against total shareholders’ equity of approximately HK\$1,082 million (2007: HK\$850 million), was 25.2% (2007: Nil).

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

Capital Expenditure

During the year under review, the Group incurred capital expenditures of approximately HK\$52 million (2007: HK\$28 million), including the costs of properties, leasehold improvement, furniture, fixture and equipment.

Capital Commitments

As at 31st March 2008, the Group had total capital commitments in respect of acquisition of property, plant and equipment of approximately HK\$4 million (2007: HK\$7 million).

Contingent Liabilities

The Group did not have any significant contingent liabilities at 31st March 2008 and 31st March 2007.

Employment, Training, Development and Recruitment Remuneration Policy

As at 31st March 2008, the total number of employees of the Group was approximately 2,377 (2007: 2,124). 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 others merit payments are linked to success of the Group and performance of individual employee. The policy is to encourage employees to optimize business performance by providing them with financial incentives.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 21st August 2008 to 25th August 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final 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, Hong Kong for registration not later than 4:30 p.m. on 20th August 2008.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

Throughout the year, the Company was in compliance with the Code on Corporate Governance Practices as set out in the Listing Rules.

AUDIT COMMITTEE

In compliance with paragraph 14 of the Code of Best Practice (applicable before 1st January 2005), the Board has established an audit committee comprising all independent non-executive directors, to monitor the accounting and financial reporting practices and internal control systems of the Company. Since 1st April 2007, the audit committee has held several meetings to consider matters including the 2007 annual report of the Company, internal controls, the unaudited interim condensed consolidated financial information for the six months ended 30th September 2007, the 2008 annual report of the Company and the Group's IT control environment.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31st March 2008. The figures in respect of the preliminary announcement of the Group's results for the year ended 31st March 2008 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong

Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

REMUNERATION COMMITTEE

In compliance with the Code, the Board on 7th April 2005 established a remuneration committee comprising three independent non-executive directors and two executive directors. In July and December 2007, the Remuneration Committee held two meetings to review the policies for determining annual salary increments for the calendar year 2008, to approve the payment of the discretionary year-end bonus for 2007, and an incentive bonus for all non-sales employees working at the Head Office, to review the employee turnover statistics and underlying causes for abnormal turnover and consider the proposed remedies to improve the situation.

MODEL CODE ON SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as a code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, it is confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions in relation to the year ended 31st March 2008.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

PUBLICATION OF INFORMATION ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

The results announcement is required to be published on the website of Hong Kong Exchanges and Clearing Limited ("HKEX") at www.hkex.com.hk under "Latest Listed Companies Information" and the Company at www.lukfook.com.hk under the section of "About Luk Fook/Corporate Information/Listing Rules Documents/Announcements and Notices" respectively. The annual report of the Company for the year ended 31st March 2008 will be dispatched to the shareholders on 31st July 2008 and 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 my 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 Luk Fook into an international brand.

As at the date of this announcement, the Company's executive directors are Mr. WONG Wai Sheung (Chief Executive), Mr. TSE Moon Chuen, Mr. LAW Tim Fuk, Paul and Mr. LAU Kwok Sum; the non-executive directors are Mr. WONG Koon Cheung, Mr. CHAN Wai, Mr. LEE Shu Kuan, Ms. YEUNG Po Ling, Pauline and Mr. HUI King Wai; the independent non-executive directors are Mr. HUI Chiu Chung, Mr. CHIU Wai Mo, and Mr. LO Mun Lam, Raymond (Chairman).

By Order of the Board
WONG Wai Sheung
Chief Executive

23rd July 2008