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六福集團(國際)有限公司

LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED

(Incorporated in Bermuda with Limited Liability)
Stock Code: 590

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH 2009

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 2009 together with comparative figures for the corresponding period in 2008 as follows:

CONSOLIDATED INCOME STATEMENT

(For the year ended 31st March 2009)

	Note	2009 HK\$'000	2008 HK\$'000 (Restated) (Note 2)
Turnover	3	3,856,984	3,367,182
Cost of sales	4	(3,038,697)	(2,529,490)
Gross profit		818,287	837,692
Other income		130,219	93,339
Selling and distribution costs	4	(565,564)	(466,017)
Administrative expenses	4	(67,995)	(62,118)
Other gains/(losses), net	5	3,444	(30,537)
Operating profit		318,391	372,359
Finance income		4,702	4,113
Finance costs		(8,302)	(3,429)
Finance (costs)/income, net		(3,600)	684
Share of results of an associate		1,230	(856)
Profit before taxation		316,021	372,187
Taxation	6	(37,781)	(54,235)
Profit for the year		278,240	317,952
Profit attributable to:			
Equity holders of the Company		275,160	313,989
Minority interests		3,080	3,963
		278,240	317,952
Earnings per share for profit attributable to the equity holders of the Company	7		
Basic		HK55.9 cents	HK63.8 cents
Diluted		HK55.9 cents	HK63.8 cents
Dividends	8	83,726	125,590

CONSOLIDATED BALANCE SHEET

(As at 31st March 2009)

	<i>Note</i>	2009 HK\$'000	2008 <i>HK\$'000</i> (Restated) (Note 2)
ASSETS			
Non-current assets			
Property, plant and equipment		107,621	117,463
Leasehold land and land use rights		17,318	17,035
Interests in an associate		1,955	874
Trading licence		1,080	1,080
Rental deposits		25,907	24,624
Deferred tax assets		14,240	14,915
		168,121	175,991
Current assets			
Inventories		1,218,880	1,245,500
Trade receivables	9	37,081	33,533
Deposits, prepayments and other receivables		43,747	45,712
Amount due from an associate		6,491	19,888
Cash and cash equivalents		280,125	185,380
		1,586,324	1,530,013
Total assets		1,754,445	1,706,004
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		49,250	49,250
Share premium		58,884	58,884
Reserves		1,088,335	897,843
Proposed dividends		59,101	76,339
		1,255,570	1,082,316
Minority interests		17,657	16,049
Total equity		1,273,227	1,098,365

	<i>Note</i>	2009 HK\$'000	2008 HK\$'000 (Restated) (Note 2)
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		2,980	74
Employee benefit obligations		22,733	8,710
		<u>25,713</u>	<u>8,784</u>
Current liabilities			
Trade payables, other payables and accruals	10	258,699	284,744
Short-term bank loans		169,000	273,000
Taxation payable		27,806	41,111
		<u>455,505</u>	<u>598,855</u>
Total liabilities		<u>481,218</u>	<u>607,639</u>
Total equity and liabilities		<u>1,754,445</u>	<u>1,706,004</u>
Net current assets		<u>1,130,819</u>	<u>931,158</u>
Total assets less current liabilities		<u>1,298,940</u>	<u>1,107,149</u>

NOTES:

1 General information

Luk Fook Holdings (International) Limited (the “Company”) was incorporated in Bermuda on 3rd September 1996 as a company with limited liability under the Companies Act of Bermuda. The address of its registered office is Canon’s Court, 22 Victoria Street Hamilton HM 12 Bermuda.

The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the retailing and wholesaling of gold jewellery and gold ornaments, gem-set jewellery and gemstones and other accessory items.

The Company’s shares are listed on the main board of The Stock Exchange of Hong Kong Limited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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 judgment in the process of applying the Group’s accounting policies.

The following amendments and interpretations to the standards are mandatory for accounting periods beginning on or after 1st April 2008. The adoption of these amendments and interpretations to the standards do not have any significant impact to the results and financial position of the Group.

HKAS 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The following new standards, amendments and interpretations to the standards have been issued but are not effective for the financial year ended 31st March 2009 and have not been early adopted by the Group.

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards (effective for annual periods beginning on or after 1st July 2009)
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associates (effective for annual periods beginning on or after 1st July 2009)
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1st January 2009)
HKFRS 3 (Revised)	Business Combinations (effective for annual periods beginning on or after 1st July 2009)
HKFRS 7 (Amendments)	Financial Instruments Disclosures – Improving Disclosures about Financial Instruments (effective for annual periods beginning on or after 1st January 2009)
HKFRS 8	Operating Segments (effective for annual periods beginning on or after 1st January 2009)
HKAS 1 (Revised)	Presentation of Financial Statements (effective for annual periods beginning on or after 1st January 2009)
HKAS 23 (Revised)	Borrowing Costs (effective for annual periods beginning on or after 1st January 2009)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1st July 2009)

HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation (effective for annual periods beginning on or after 1st January 2009)
HKAS 39 (Amendment)	Eligible Hedged Items (effective for annual periods beginning on or after 1st July 2009)
HK(IFRIC)-Int 9 and HKAS 39	Embedded Derivatives (effective for annual periods ending on or after 30th June 2009)
HK(IFRIC)-Int 13	Customer Loyalty Programmes (effective for annual periods beginning on or after 1st July 2008)
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1st January 2009)
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1st October 2008)
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1st July 2009)
HK(IFRIC)-Int 18	Transfers of Assets from Customers (effective for transfers of assets from customers received on or after 1st July 2009)

HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1st April 2009. The Group is in the process of assessing their impact on the Group's results and financial position.

HKFRS 7 (Amendments) increase the disclosures requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require some specific quantitative disclosures for financial instruments on the lowest level in the hierarchy. It also requires entities to provide additional disclosures about the relative reliability of fair value measurements. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendments clarify and enhance the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities.

HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1st April 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

The effect that the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and HK(IFRIC)-Int 17 will have on the results and financial position of the Group will depend on the incidence and timing of business combinations occurring on or after 1st April 2010. The directors anticipate that the adoption of other new standards, amendments and interpretations to standards will not result in a significant impact on the results and financial position of the Group.

In addition, the Hong Kong Institute of Certified Public Accountants also published a number of amendments for the existing standards under its annual improvement project. These amendments are not expected to have a significant financial impact on the results and financial position of the Group.

Comparative figures

- (i) In previous year, the balance of employee benefit obligations was included in trade payables, other payables and accruals line item under the current liabilities in the balance sheet because of its materiality. During the year, management has revisited the presentation of employee benefit obligations and consider that the liability should be separately disclosed in the balance sheet of current year's financial statements under non-current liabilities as it is non-current in nature. Consequently, the amount of HK\$8,710,000 as at 31st March 2008 was reclassified from current to non-current liabilities to conform with current year's presentation.
- (ii) In previous year, gain/loss on derivative financial instruments-trading of gold was recognised as part of selling and distribution costs. In preparing the 31 March 2009 financial statements, management has determined that such gains and losses should be included in other gains or losses line item in the current year's income statement as they represent inflow or outflow of economic benefits from/to the Group. To conform with current year's presentation, the loss of HK\$31,815,000 incurred on trading of gold for the year ended 31st March 2008 was reclassified from selling and distribution costs to other losses.

3 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\$480,158,000 (2008: HK\$625,268,000) 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 ("PRC") 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.

Operating expenses of a functional unit are allocated to the relevant segment which is the predominant user of the services provided by the unit. Operating expenses of other shared services which cannot be allocated to a specific segment and corporate expenses are included as unallocated expenses.

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, inventories, trade receivables, deposits, prepayments and other receivables, and operating cash. They exclude deferred tax assets and corporate assets.

Segment liabilities comprise operating liabilities. They exclude items such as taxation payable, deferred tax liabilities, short-term bank loans and other corporate liabilities.

Capital expenditure comprises mainly additions to property, plant and equipment and leasehold land and land use rights.

Primary reporting format – business segments

	Retailing		Manufacturing and wholesaling		Other operations		Eliminations		Group	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	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	3,075,565	2,501,322	291,227	232,090	–	–	–	–	3,366,792	2,733,412
– Sales of scrap gold and platinum and gold bullion	–	–	486,643	629,509	–	–	–	–	486,643	629,509
– Others	–	–	–	–	3,549	4,261	–	–	3,549	4,261
Inter-segment sales	118,275	94,284	921,700	869,910	–	–	(1,039,975)	(964,194)	–	–
	<u>3,193,840</u>	<u>2,595,606</u>	<u>1,699,570</u>	<u>1,731,509</u>	<u>3,549</u>	<u>4,261</u>	<u>(1,039,975)</u>	<u>(964,194)</u>	<u>3,856,984</u>	<u>3,367,182</u>
Other income	1,411	498	123,984	89,015	4,824	3,826	–	–	130,219	93,339
Inter-segment other income	–	–	–	–	813	611	(813)	(611)	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>813</u>	<u>611</u>	<u>(813)</u>	<u>(611)</u>	<u>–</u>	<u>–</u>
Total	<u>3,195,251</u>	<u>2,596,104</u>	<u>1,823,554</u>	<u>1,820,524</u>	<u>9,186</u>	<u>8,698</u>	<u>(1,040,788)</u>	<u>(964,805)</u>	<u>3,987,203</u>	<u>3,460,521</u>
Segment results	<u>200,474</u>	<u>270,893</u>	<u>165,961</u>	<u>191,667</u>	<u>2,204</u>	<u>2,380</u>	<u>4,453</u>	<u>(39,432)</u>	<u>373,092</u>	<u>425,508</u>
Gain on deemed disposal of a subsidiary	–	–	–	26	–	–	–	–	–	26
Interest income									495	1,882
Unallocated costs									(50,494)	(50,944)
									<u>323,093</u>	<u>376,472</u>
Finance costs									(8,302)	(3,429)
Share of results of an associate									1,230	(856)
									<u>1,230</u>	<u>(856)</u>
Profit before taxation									316,021	372,187
Taxation									(37,781)	(54,235)
									<u>(37,781)</u>	<u>(54,235)</u>
Profit for the year									<u>278,240</u>	<u>317,952</u>

	Retailing		Manufacturing and wholesaling		Other operations		Eliminations		Group	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	1,028,554	1,053,815	1,062,319	1,011,018	9,781	11,678	(489,711)	(478,324)	1,610,943	1,598,187
Unallocated assets									143,502	107,817
Total assets									1,754,445	1,706,004
Segment liabilities	(559,277)	(610,127)	(142,250)	(157,732)	(1,441)	(774)	489,711	478,324	(213,257)	(290,309)
Short-term bank loans									(169,000)	(273,000)
Unallocated liabilities									(98,961)	(44,330)
Total liabilities									(481,218)	(607,639)
Depreciation – allocated	23,872	18,193	9,498	9,373	45	14	–	–	33,415	27,580
– unallocated									2,640	4,402
									36,055	31,982
Amortisation – allocated	16	16	330	305	7	7	–	–	353	328
– unallocated									13	13
									366	341
Capital expenditure – allocated	22,071	31,795	6,449	17,200	97	–	–	–	28,617	48,995
– unallocated									1,085	2,711
									29,702	51,706
Impairment of property, plant and equipment – allocated	2,315	–	–	–	–	–	–	–	2,315	–

Secondary reporting format – geographical segments

The geographical analysis is divided into three regions:

- Hong Kong
- PRC
- Others (Macau, the United States and Canada)

An analysis of the Group's turnover by location of customers and an analysis of the Group's assets and capital expenditure by location of assets are as follows:

	Turnover		Total assets		Capital expenditure	
	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	3,113,074	2,935,495	1,006,426	1,057,684	12,090	23,161
PRC	449,472	263,064	611,261	529,450	12,458	21,004
Others	294,438	168,623	136,758	118,870	5,154	7,541
	<u>3,856,984</u>	<u>3,367,182</u>	<u>1,754,445</u>	<u>1,706,004</u>	<u>29,702</u>	<u>51,706</u>

4 EXPENSES BY NATURE

	2009 HK\$'000	2008 HK\$'000
Cost of inventories sold	3,038,697	2,529,490
Staff costs (including directors' emoluments)	269,097	227,466
Operating lease rentals in respect of land and buildings	164,961	126,685
Advertising and promotion expenses	38,317	35,671
Commission expenses to credit card companies	31,617	25,194
Depreciation of property, plant and equipment	36,055	31,982
Provision for impairment of leasehold improvement	2,315	–
Loss on disposal of property, plant and equipment	351	1,027
Amortisation of leasehold land and land use rights	366	341
Deficit on revaluation of properties	6	46
Auditor's remuneration	3,096	3,164
Others	87,378	76,559
Total	<u>3,672,256</u>	<u>3,057,625</u>

Representing:

	2009 HK\$'000	2008 HK\$'000
Cost of sales	3,038,697	2,529,490
Selling and distribution costs	565,564	466,017
Administrative expenses	67,995	62,118
	<u>3,672,256</u>	<u>3,057,625</u>

5 OTHER GAINS/(LOSSES), NET

	2009 HK\$'000	2008 HK\$'000
Gain/(loss) on derivative financial instruments-trading of gold	2,709	(31,815)
Write back of provision for slow-moving inventories	735	1,252
Gain on deemed disposal of a subsidiary	–	26
	<u>3,444</u>	<u>(30,537)</u>

6 TAXATION

	2009 HK\$'000	2008 HK\$'000
Hong Kong profits tax		
– current	26,553	59,120
– over-provision in prior years	(3,283)	(108)
Overseas taxation	10,930	2,725
Deferred taxation	3,581	(7,502)
	<u>37,781</u>	<u>54,235</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 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.

7 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\$275,160,000 (2008: HK\$313,989,000) and the weighted average number of 492,507,850 (2008: 492,507,850) ordinary shares in issue during the year.

Diluted earnings per share is the same as there were no potential dilutive ordinary shares outstanding during the years.

8 Dividends

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
2008/09 interim, paid, of HK\$0.05 (2007/08 interim: HK\$0.10) per ordinary share	<u>24,625</u>	<u>49,251</u>
2008/09 final, proposed, of HK\$0.12 (2007/08 final: HK\$0.155) per ordinary share (note)	<u>59,101</u>	<u>76,339</u>

At a meeting held on 22nd July 2009, the directors recommended the payment of a final dividend of HK\$0.12 per ordinary share, totalling HK\$59,101,000. Such dividend is to be approved by the shareholders at the Annual General Meeting on 11th September 2009. This proposed dividend is not reflected as dividends payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31st March 2010.

9 TRADE RECEIVABLES

The Group's sales are mainly 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 2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0 – 30 days	27,274	26,978
31 – 60 days	7,812	3,874
61 – 90 days	946	2,488
91 – 120 days	14	–
Over 120 days	<u>1,035</u>	<u>193</u>
	<u>37,081</u>	<u>33,533</u>

The carrying amounts of trade receivables approximate their fair values.

10 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals are trade payables of HK\$68,780,000 (2008: HK\$142,434,000) and their ageing analysis is as follows:

	Group	
	2009	2008
	HK\$'000	HK\$'000
0 – 30 days	37,958	91,607
31 – 60 days	16,676	33,889
61 – 90 days	5,761	11,185
91 – 120 days	1,405	3,316
Over 120 days	6,980	2,437
	68,780	142,434

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

FINANCIAL PERFORMANCE

Results

For the year ended 31st March 2009, the Group's total turnover was approximately HK\$3,856,984,000, which represented a 14.5% growth as compared to HK\$3,367,182,000 in the previous year. Profit attributable to shareholders dropped 12.4% to approximately HK\$275,160,000 from HK\$313,989,000 of last year. Operating profit margin decreased from 11.1% to 8.3%. Basic earnings per share were HK 55.9 cents (2008: HK 63.8 cents).

Dividend

The Directors proposed a final dividend of HK 12 cents per share (2008: HK 15.5 cents per share) for the year ended 31st March 2009. In addition to the interim dividend of HK 5 cents per share already paid, the dividend for the full year amounted to HK 17 cents per share (2008: HK 25.5 cents per share). The proposed dividend will be paid on 11th September 2009 following the approval at the Annual General Meeting.

Overview

The overall performance in the financial year 2008/09 was satisfactory. The Group's total turnover maintained a growth in face of the slowing down of the economy. The economy of the PRC stayed strong in spite of the global financial crisis. Appreciation of Renminbi and the continued influx of the PRC tourists benefited the Group's retail business.

The Group's turnover from the retail business accounted for 79.7% of the total turnover, registering a 23% growth compared to the previous year, amounting to HK\$3,075,565,000. Sales for gemstone jewellery products increased by 6.3% while sales for gold products excluding trade-in transactions surged by 42.2% because customers see gold as a more reliable investment product than currencies and the stock market. Turnover from wholesale business reached HK\$777,870,000, which accounted for 20.2% of the total turnover. For the year ended 31st March 2009, the Group's turnover in gold products and gemstone jewellery products, excluding trade-in transactions, accounted for 54% and 46% respectively.

From the figures of the Hong Kong Tourism Board, tourists arrivals from the PRC in 2008 increased by 11.9% as compared to that of 2007. The increase in the number of the PRC tourists visiting Hong Kong offset the negative effect that the financial crisis caused on their spending habits. The Group therefore could still benefit from the growing number of the PRC tourists who demanded for luxury and quality jewellery items in Hong Kong.

BUSINESS PERFORMANCE

Hong Kong Market

The Hong Kong market remained the key market of the Group, taking up 80.7% of the Group's total turnover. As at 31st March 2009, the Group operated a total of 30 retail outlets in Hong Kong. During the year under review, the Group opened two self-operated shops in Tseung Kwan O and Causeway Bay, Hong Kong. The Group has mostly finished reimagining all retail outlets in Hong Kong during the year under review.

Over 50% of Hong Kong sales were contributed by the PRC tourists. The appreciation of Renminbi and the opening up of second and third tier cities in the PRC for Individual Visiting Scheme benefited the Group. In the year under review, the global financial crisis weakened the purchasing desire of local customers, but the increasing demand for gold products for marriage and investment purposes from the PRC tourists sustained the Group's business.

PRC Market

The Group's business benefited greatly from the strong growth of the PRC economy as well as the Beijing Olympic Games. The Group will focus its efforts on developing the PRC market as the major market contributor. During the year under review, turnover from the PRC market accounted for 11.7% of the Group's total turnover, amounting to HK\$449,472,000 (2008: HK\$263,040,000), representing a 71% increase as compared to the previous year.

As at 31st March 2009, the Group operated a total of 400 licensee shops. The Group has also opened up 8 self-operated shops in first tier cities in the PRC including Beijing, Wuhan, Hangzhou and Nanjing in the year under review, bringing the total number of self-operated shops in the PRC to 19. The Group shall further expand in the PRC market by opening self-operated shops in second and third tier cities.

Macau Market

For the Macau market, the Group held an optimistic view in the retail industry of Macau. The business performance of the Macau shops was satisfactory during the year under review. The Group opened its fourth retail outlet in Macau in December 2008. Turnover from the Macau shops amounted to HK\$268,411,000 (2008: HK\$151,415,000), representing a 77% increase as compared to the previous year.

Overseas Market

The Group will continue to work according to the corporate motto of "Brand of Hong Kong, Sparkling the World", to expand our retail network in local, Macau and the PRC markets, and to look for suitable opportunities to broaden our network internationally.

BUSINESS REVIEW

Products

The Group launched a series of new products with exquisite designs and craftsmanship during the year to cater for our diversified customer segments and different occasions. Promotional series are as follows:

- “Beauty of Love” series for Mother’s Day Promotion
- “Dancing Butterfly” and “Tempting Heart” Series of “K-gold” 18K Gold Collection
- “Hugging Panda” Collection to welcome the Beijing Olympics
- Pure gold “Xifu” Collection for wedding couples
- Launch of the newly introduced “Wedding Ring” Collection for National Day Promotion
- “Praising Series” of “Sol Diamond” Collection specially designed for sparkling Christmas
- Pure gold ornaments “Lucky OX” Collection, mini gold accessories of “12 Chinese Zodiac” and “Lucky OX” Gold Bar Collection” to celebrate the Lunar Chinese New Year
- “Everlasting Series” & “Passionate Series” of “Sol Diamond” Collection to represent a token of love and romance on Valentine’s Day

Sales Network

As at 31st March 2009, the Group had 55 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 namely “Luvina Jewelers” in San Jose, California of the United States. 2 new shops were opened in Hong Kong during the year: they are located at Tseung Kwan O and Causeway Bay respectively, bringing the number of shops in Hong Kong to a total of 30. The Group also opened its fourth retail outlet in Macau located at Avenida Do Infante D.Henrique, in order to serve customers better.

During the year, the Group operated a total of 19 self-operated shops in Guangzhou, Beijing, Nanjing, Shanghai, Hangzhou, Lanzhou, Ningbo, Wuhan and Jinan in the PRC. Nine of them are located in Beijing, taking the advantages of domestic retail industry brought about by the Beijing Olympics. Moreover, majority of the self-operated shops were opened in large-scale department stores to accommodate the consumption behavior of the PRC customers. The Group’s licensee shops in the PRC were also increased to 400.

Marketing and Promotion

To further strengthen Luk Fook Jewellery's corporate brand image and operate consistently with the corporate motto of "Brand of Hong Kong, Sparkling the World", the Group actively participated in a wide range of marketing activities and publicity campaigns in order to further consolidate its brand positioning, arouse awareness in global jewellery market and above all expand the 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 also 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 activities, and events such as jewellery sponsorship and exhibitions. Below were some highlights:

- Sponsored the diamond crown and jewellery pieces for the winners of "Miss Hong Kong Pageant" for 11 consecutive years
- Being the exclusive sponsor for the winners' jewellery pieces in "Miss Asia Pageant" for several years
- Being the sponsor for "The 58th Miss World Pageant" Guangdong Region Competition
- Sponsored the "Miss Chinese Pageant" in Vancouver and Toronto, Canada, for several years
- Exclusive jewellery sponsor of the fashion show at Vivienne Westwood Opus Exhibition of Grant Polaroid Photographs
- Invited by the Leisure and Cultural Services Department to join the "Hong Kong Design Series 6: Jewellery for Life" exhibition
- Participated in well-recognized jewellery exhibitions including "Style Hong Kong, Hangzhou", "China International Gold, Jewellery and Gem Fair (Guangzhou) 2008", "2008 Shenzhen International Jewellery Fair" and "JMA Macau Jewellery Show 2008"
- Participated in exhibition activities including "Hong Kong International Wedding Trade Fair 2008" and "Hong Kong International Wedding Trade Fair 2009" held in Hong Kong Convention and Exhibition Centre in November 2008 and March 2009 respectively
- Broadcasted large volume of TV commercials through mainstream TV channels in Hong Kong and the PRC, and sponsored products for TV programmes and key dramas
- Invited celebrity Mr. Raymond Lam to participate in ribbon cutting activities for debut of the PRC shops
- Sponsored "Aaron Kwok De Show Reel Live in Concert 2008 – Macau"
- Enhanced the advertising impact by strategically placing outdoor advertisements at the back of KMB buses of different routes throughout Hong Kong and Kowloon.
- Actively explored online promotion platform by putting banner advertisements, advertorial write-up and launching online games

- Launching new products and key promotion items in festivals including Mother's Day, National Day of the PRC, Christmas, Chinese New Year and Valentine's Day, stimulating the consumers' demand through large-scale publicity programmes in order to achieve better promotion results
- Effectively delivering promotional messages to targeted individual travelling scheme tourists through print advertisements on guide maps
- Sponsored the gold price index on wedding portal "www.esdlife.com" to maximise the exposure of the Group's "Wedding" Collection in the Hong Kong market
- Donation to assist victims of Sichuan Earthquake
- Donation and jewellery gift coupons sponsor to "Tung Wah Charity Show 2008"
- 2008 Marketing Research Scheme
- "Ming Chee Sing Chinese Opera shows" exclusively for Luk Fook Jewellery's customers and staff
- Special joint promotion programmes with P&G, Shiseido, Hang Seng Bank, Bank of China, etc

Brand Management

The Group strongly believes that sales performance will be greatly influenced by brand reputation, and a reputable brand helps bolster customers' purchasing confidence. Therefore, the Group exerts unceasing effort to work for a well-developed brand management system, which strives to convey a consistent brand image and enhance its superior brand equity in the markets, continuing to reinforce its trusted brand image.

During the year, the Group obtained a number of awards in recognition of its outstanding achievements in brand building and management. They included:

- "Capital Weekly Service Awards 2008"
- "Most Favorable Enterprise with Good Credibility" and "Consumers' Most Favorable Hong Kong Brands" in the "PRC Consumers' Most Favorable Hong Kong Brands Campaign" for 3 consecutive years
- "The 5th Hong Kong Merchants of Integrity Award" for 4 consecutive years
- "The 5th Macau Merchants of Integrity Award"
- "My Favorite Top Ten Brands of Hong Kong" for 4 consecutive years
- "My Favorite Top Ten Brands of Macau"
- "The Best Brand Enterprise Award (Greater China)" for 3 consecutive years
- "The Most Outstanding Brand 2008 (Greater China)"
- "Hong Kong Service Award – Quality Living Category" from Eastweek Magazine

Production

In order to enhance cost effectiveness and production efficiency, the Group has adopted a certain degree of vertical integration and used its production facilities in Hong Kong and the PRC to operate a portion of the gold and gem-set jewellery's production processes.

Portal Operation

The Group's website "www.jewellworld.com" or "www.jw28.com" is an electronic gateway for the global jewellery industry. It aims to serve as a business-to-business trading platform among manufacturers, wholesalers and retailers all over the world.

The portal also acts as an additional promotion channel for the Group. It is regarded as a long-term plan for the Group to penetrate into the PRC as well as global market, and paves the way for exploring jewellery markets worldwide. The Group believes that every internet user is their prospective customer; and jewelers will use website more frequently to view product samples and to order jewellery as to streamline their operation procedures. It will enhance business potential.

Design

The Group is famous for its stylish designs of jewellery products. With the Group's outstanding and award-winning design team, the Group has designed a wide range of products for customers' selections. Those creative, attractive and fashionable new products were well received by the markets all these years. On top of that, with the Group's experienced management team, the Group has proved to be capable of anticipating changes in the consumers' tastes and preferences, this has helped to ensure a promising future for the Group.

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:

- 4 awards in Worldmart Panyu International Colored Gems Design Competition
- Silver Award in "Buyers' Favourite Jewellery Design Competition 2008"
- 3 awards in "The 10th Hong Kong Jewellery Design Competition
- Numerous merit awards in "The 7th International South Sea Pearl Jewellery Design Competition

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 a group of certified gemologists who specialize in the authentication of gemstones and jade. With the ISO 17025 accreditation on both diamond and jadeite testing from the Hong Kong Accreditation Service, the Laboratory has 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 only jewellery authentication laboratory obtaining both accreditations.

Environmental Protection

In response to the growing corporate awareness in environmental protection and to show the determination to save our planet, the Group joined the Earth Hour 2009. It is initiated by WWF in 2007, had 2.2 million people and 2,100 businesses in Sydney, Australia turned off their lights for one hour. On 28th March 2009, as one of the participants representing Hong Kong, part of the Group's retail outlets turned off the lights for one hour from 8:30pm to 9:30pm to show our support.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's core business is gold and jewellery retailing. As at 31st March 2009, the Group's cash on hand reached approximately HK\$280 million (2008: HK\$185 million). The Group's bank borrowings-to-equity ratio at the year-end, being the proportion of total bank borrowings of approximately HK\$169 million (2008: HK\$273 million) against total shareholders' equity of approximately HK\$1,256 million (2008: HK\$1,082 million), was 13.5% (2008: 25.2%).

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\$30 million (2008: HK\$52 million), including the costs of properties, leasehold improvement, furniture, fixture and equipment.

Capital Commitments

As at 31st March 2009, the Group had total capital commitments in respect of acquisition of property, plant and equipment of approximately HK\$1 million (2008: HK\$4 million).

Contingent Liabilities

The Group did not have any significant contingent liabilities at 31st March 2009 and 31st March 2008.

Employment, Training, Development and Recruitment Remuneration Policy

As at 31st March 2009, the number of employees of the Group was approximately 2,445 (2008: 2,377). Remuneration policies are reviewed and approved by the 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 success of the Group and the 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 26th August 2009 to 31st August 2009, 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 25th August 2009.

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 2008, the audit committee has held several meetings to consider matters including the 2008 annual report of the Company, internal controls, the unaudited interim condensed consolidated financial information for the six months ended 30th September 2008, the 2009 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 2009. The figures in respect of the preliminary announcement of the Group's results for the year ended 31st March 2009 have been agreed by the Group's auditors, PricewaterhouseCoopers Hong Kong ("PwC Hong Kong"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PwC Hong Kong 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 PwC Hong Kong 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 2008, the Remuneration Committee held two meetings to review the policies for determining annual salary increments for the calendar year 2009, to approve the payment of the discretionary year-end bonus for 2008, 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 2009.

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 shares 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 2009 will be dispatched to the shareholders on 31st July 2009 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, Mr. LAU Kwok Sum, Mr. WONG Ho Lung, Danny, and Miss WONG Lan Sze, Nancy; 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. LO Mun Lam, Raymond (Chairman), and Mr. TAI Kwok Leung, Alexander.

By Order of the Board
WONG Wai Sheung
Chief Executive

22nd July 2009