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六福集團(國際)有限公司

LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED

(於百慕達註冊成立之有限公司)

(Incorporated in Bermuda with Limited Liability)

Stock Code 股份代號 : 590

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH 2010

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 2010 together with comparative figures for the corresponding period in 2009 as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

	Note	2010 HK\$'000	2009 HK\$'000 (Restated) (Note 2(d))
Revenue	3	5,386,432	3,959,227
Cost of sales	4	(4,092,895)	(3,085,275)
Gross profit		1,293,537	873,952
Other income		43,850	28,232
Selling and distribution costs	4	(610,922)	(519,354)
Administrative expenses	4	(69,413)	(67,883)
Other (losses)/gains, net	5	(21,939)	3,444
Operating profit		635,113	318,391
Finance income		342	4,702
Finance costs		(3,548)	(8,302)
Finance costs, net		(3,206)	(3,600)
Share of results of an associate		2,343	1,230
Profit before taxation		634,250	316,021
Taxation	6	(97,540)	(37,781)
Profit for the year		536,710	278,240
Profit attributable to:			
Equity holders of the Company		531,632	275,160
Minority interests		5,078	3,080
		536,710	278,240
Earnings per share for profit attributable to equity holders of the Company	7		
Basic		HK 107.9 cents	HK 55.9 cents
Diluted		HK 107.9 cents	HK 55.9 cents

Details of dividends payable to equity holders of the Company attributable to the profit for the year are set out in Note 8.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2010

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit for the year	536,710	278,240
Other comprehensive income/(loss):		
Exchange differences	5,775	(747)
Surplus/(deficit) on revaluation of properties, net of tax	4,546	(97)
Other comprehensive income/(loss) for the year, net of tax	10,321	(844)
Total comprehensive income for the year	547,031	277,396
Attributable to:		
– Equity holders of the Company	541,743	274,218
– Minority interests	5,288	3,178
Total comprehensive income for the year	547,031	277,396

CONSOLIDATED BALANCE SHEET*AS AT 31ST MARCH 2010*

	<i>Note</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		167,684	107,621
Leasehold land and land use rights		232,041	17,318
Interests in an associate		4,507	1,955
Trading licence		1,080	1,080
Rental deposits		31,411	25,907
Deferred tax assets		13,677	14,240
		450,400	168,121
Current assets			
Inventories		1,735,964	1,218,880
Trade receivables	9	73,806	37,081
Deposits, prepayments and other receivables		45,863	43,747
Amount due from an associate		7,962	6,491
Cash and cash equivalents		286,946	280,125
		2,150,541	1,586,324
Total assets		2,600,941	1,754,445
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		49,250	49,250
Share premium		58,884	58,884
Reserves		1,418,300	1,088,335
Proposed dividends		137,902	59,101
		1,664,336	1,255,570
Minority interests		22,945	17,657
Total equity		1,687,281	1,273,227

	<i>Note</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		7,115	2,980
Employee benefit obligations		12,266	22,733
Long-term bank borrowings, secured		150,878	–
		<u>170,259</u>	<u>25,713</u>
Current liabilities			
Trade payables, other payables and accruals	<i>10</i>	530,434	258,699
Short-term bank borrowings, unsecured		145,618	169,000
Current portion of long-term bank borrowings, secured		17,204	–
Taxation payable		50,145	27,806
		<u>743,401</u>	<u>455,505</u>
Total liabilities		<u>913,660</u>	<u>481,218</u>
Total equity and liabilities		<u>2,600,941</u>	<u>1,754,445</u>
Net current assets		<u>1,407,140</u>	<u>1,130,819</u>
Total assets less current liabilities		<u>1,857,540</u>	<u>1,298,940</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 (the “Stock Exchange”).

2 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.

- (a) The following new standard, amendments to standards and interpretation are mandatory for accounting periods beginning on or after 1st April 2009.

HKAS 1 (Revised), “Presentation of Financial Statements”. The revised standard requires “non-owner changes in equity” to be presented separately from owner changes in equity. As a result the Group presents all owner changes in equity in the consolidated statement of changes in equity, whereas all “non-owner changes in equity” are presented in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income. These consolidated financial statements have been prepared under the revised disclosure requirements. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

HKFRS 7 (Amendment), “Financial Instruments – Disclosures”. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

HKFRS 8 “Operating Segments” – HKFRS 8 replaces HKAS 14 “Segment Reporting”. The new standard requires a “management approach”, under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

The adoption of HKFRS 8 resulted in a change in the number of reportable segments presented by the Group. The reportable segments included “Retailing – Hong Kong, Macau and overseas”, “Retailing – The People’s Republic of China”, “Wholesaling” and “Licensing”. Comparative information has been reclassified to conform with the current year’s presentation.

- (b) The following amendments to standards and interpretations are also mandatory for accounting periods beginning on or after 1st April 2009:

HKFRSs (Amendment)	Improvements to HKFRSs 2008 ⁽¹⁾
HKFRS 1 and HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity
HKFRS 2 (Amendment)	Share-based payment-vesting conditions and cancellations
HKAS 23 (Revised)	Borrowing costs
HKAS 32 and HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HK(IFRIC)-Int 9 and HKAS 39 (Amendments)	Reassessment of embedded derivatives
HK(IFRIC)-Int 13	Customer loyalty programmes
HK(IFRIC)-Int 15	Agreements for the construction of real estate
HK(IFRIC)-Int 16	Hedges of a net investment in a foreign operation
HK(IFRIC)-Int 18	Transfers of assets from customers ⁽²⁾

⁽¹⁾ Effective for the Group for annual period beginning 1st April 2009 except the amendments to HKFRS 5, “Non-current assets held for sale and discontinued operations” which is effective for annual period beginning 1st April 2010.

⁽²⁾ Effective for transfer of assets received on or after 1st July 2009.

The adoption of these amendments to standards and interpretations did not result in a significant impact on the results and financial position of the Group.

- (c) The following standard, amendments to standards and interpretations have been issued but are not effective for 2009 and have not been early adopted:

HKFRSs (Amendment)	Improvements to HKFRSs 2009 ⁽¹⁾
HKFRS 1 (Revised)	First-time adoption of HKFRSs ⁽¹⁾
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters ⁽¹⁾
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions ⁽¹⁾
HKFRS 3 (Revised)	Business combinations ⁽¹⁾
HKFRS 9	Financial instruments ⁽³⁾
HKAS 24 (Revised)	Related party disclosures ⁽²⁾
HKAS 27 (Revised)	Consolidated and separate financial statements ⁽¹⁾
HKAS 32 (Amendment)	Classification of right issues ⁽²⁾
HKAS 39 (Amendment)	Eligible hedged items ⁽¹⁾
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a minimum funding requirement ⁽²⁾
HK(IFRIC)-Int 17	Distributions of non-cash assets to owners ⁽¹⁾
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments ⁽¹⁾

⁽¹⁾ Effective for the Group for annual period beginning on 1st April 2010

⁽²⁾ Effective for the Group for annual period beginning on 1st April 2011

⁽³⁾ Effective for the Group for annual period beginning on 1st April 2013

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

(d) Comparative figures

In previous years, royalty income and consultancy fee income were included in “other income” and their related costs were included in “selling and distribution costs” and “administrative expenses” in the consolidated income statement. In preparing the consolidated financial statements of the year ended 31st March 2010, management has determined that such income and costs should be included in “revenue” and “cost of sales” as they have been disclosed as a separate reportable segment following the adoption of HKFRS 8. To conform with current year’s presentation, “other income” of HK\$102,243,000 for the year ended 31st March 2009 was reclassified to “revenue” and the related “selling and distribution costs” and “administrative expenses” of HK\$46,210,000 and HK\$112,000 respectively, were reclassified to “cost of sales”.

3 Segment information

The Group is principally engaged in the retailing and wholesaling of gold and jewellery products and licensing business.

The chief operating decision-maker (“CODM”) has been identified as the board of directors. CODM reviews the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

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

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

CODM assesses the performance of the operating segments based on 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 consolidated financial statements.

Assets of reportable segments exclude interest in an associate, certain buildings and leasehold land, deferred tax assets and corporate assets, all of which are managed on a central basis. These are part of the reconciliation to total assets of the 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 reported to the CODM is measured in a manner consistent with that in the consolidated income statement.

Year ended 31st March 2010

	Retailing- Hong Kong, Macau and overseas HK\$'000	Retailing- The PRC HK\$'000	Wholesaling HK\$'000	Licensing HK\$'000	Reportable segments Total HK\$'000
Revenue					
Sales of merchandises	4,041,455	289,169	1,958,174	–	6,288,798
Inter-segment sales	(239,820)	–	(1,506,661)	–	(1,746,481)
	<u>3,801,635</u>	<u>289,169</u>	<u>451,513</u>	<u>–</u>	<u>4,542,317</u>
Sales of scrap gold and platinum and gold bullion	–	–	670,585	–	670,585
Sales to external customers	3,801,635	289,169	1,122,098	–	5,212,902
Royalty income	–	–	–	154,369	154,369
Consultancy fee income	–	–	–	19,161	19,161
Revenue from external customers	<u>3,801,635</u>	<u>289,169</u>	<u>1,122,098</u>	<u>173,530</u>	<u>5,386,432</u>
Results of reportable segments	<u>387,914</u>	<u>39,103</u>	<u>142,889</u>	<u>107,898</u>	<u>677,804</u>

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

Results of reportable segments	677,804
Unallocated income	10,595
Unallocated expenses	(53,286)
Operating profit	635,113
Finance income	342
Finance costs	(3,548)
Share of results of an associate	2,343
Profit before taxation	634,250
Taxation	(97,540)
Profit for the year	536,710
Minority interests	(5,078)
Profit attributable to equity holders of the Company	<u>531,632</u>

Year ended 31st March 2010

	Retailing- Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing- The PRC <i>HK\$'000</i>	Wholesaling <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Inter- segment elimination <i>HK\$'000</i>	Reportable segments Total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation of property, plant and equipment	19,131	8,307	9,883	–	–	37,321	2,866	40,187
Amortisation of leasehold land and land use rights	16	176	151	–	–	343	3,229	3,572
	<u>19,147</u>	<u>8,483</u>	<u>10,034</u>	<u>–</u>	<u>–</u>	<u>37,664</u>	<u>6,095</u>	<u>43,759</u>

As at 31st March 2010

	Retailing- Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing- The PRC <i>HK\$'000</i>	Wholesaling <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Inter- segment elimination <i>HK\$'000</i>	Reportable segments Total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	1,396,141	301,161	740,463	22,664	(248,453)	2,211,976	–	2,211,976
Interests in an associate							4,507	4,507
Properties							51,705	51,705
Leasehold land							215,365	215,365
Deferred tax assets							13,677	13,677
Other unallocated assets							103,711	103,711
Total assets per consolidated balance sheet								<u>2,600,941</u>
Segment liabilities	(227,060)	(259,662)	(140,061)	(104,694)	248,453	(483,024)	–	(483,024)
Deferred tax liabilities							(7,115)	(7,115)
Long-term bank borrowings							(150,878)	(150,878)
Short-term bank borrowings							(145,618)	(145,618)
Current portion of long-term bank borrowings							(17,204)	(17,204)
Taxation payable							(50,145)	(50,145)
Other unallocated liabilities							(59,676)	(59,676)
Total liabilities per consolidated balance sheet								<u>(913,660)</u>

Year ended 31st March 2009

	Retailing- Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing- The PRC <i>HK\$'000</i>	Wholesaling <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Reportable segments Total <i>HK\$'000</i>
Revenue					
Sales of merchandises	3,016,475	177,365	1,181,184	–	4,375,024
Inter-segment sales	(118,275)	–	(921,700)	–	(1,039,975)
	<u>2,898,200</u>	<u>177,365</u>	<u>259,484</u>	<u>–</u>	<u>3,335,049</u>
Sales of scrap gold and platinum and gold bullion	–	–	486,643	–	486,643
Sales to external customers	2,898,200	177,365	746,127	–	3,821,692
Royalty income	–	–	–	126,440	126,440
Consultancy fee income	–	–	–	11,095	11,095
Revenue from external customers	<u>2,898,200</u>	<u>177,365</u>	<u>746,127</u>	<u>137,535</u>	<u>3,959,227</u>
Results of reportable segments	<u>190,398</u>	<u>9,034</u>	<u>73,292</u>	<u>89,859</u>	<u>362,583</u>

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

Results of reportable segments	362,583
Unallocated income	4,829
Unallocated expenses	(49,021)
Operating profit	<u>318,391</u>
Finance income	4,702
Finance costs	(8,302)
Share of results of an associate	1,230
Profit before taxation	<u>316,021</u>
Taxation	(37,781)
Profit for the year	<u>278,240</u>
Minority interests	(3,080)
Profit attributable to equity holders of the Company	<u><u>275,160</u></u>

Year ended 31st March 2009

	Retailing- Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing- The PRC <i>HK\$'000</i>	Wholesaling <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Reportable segments Total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation of property, plant and equipment	19,755	4,156	9,458	–	–	33,369	2,686	36,055
Amortisation of leasehold land and land use rights	16	176	154	–	–	346	20	366

As at 31st March 2009

	Retailing- Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing- The PRC <i>HK\$'000</i>	Wholesaling <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Reportable segments Total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	1,089,571	151,556	861,832	9,538	(489,711)	1,622,786	–	1,622,786
Interests in an associate							1,955	1,955
Deferred tax assets							14,240	14,240
Other unallocated assets							115,464	115,464
Total assets per consolidated balance sheet								1,754,445
Segment liabilities	(276,773)	(287,091)	(63,777)	(84,328)	489,711	(222,258)	–	(222,258)
Deferred tax liabilities							(2,980)	(2,980)
Short-term bank borrowings							(169,000)	(169,000)
Taxation payable							(27,806)	(27,806)
Other unallocated liabilities							(59,174)	(59,174)
Total liabilities per consolidated balance sheet								(481,218)

The Group's revenue are mainly derived from customers located in Hong Kong and the PRC. An analysis of the Group's revenue by location of customers is as follows:

	2010	2009
	HK\$'000	HK\$'000
Revenue		
Hong Kong	4,003,289	3,113,074
The PRC	855,496	551,454
Other locations	527,647	294,699
	<u>5,386,432</u>	<u>3,959,227</u>

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

	2010				2009			
	Hong Kong	The PRC	Other locations	Total	Hong Kong	The PRC	Other locations	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets								
Property, plant and equipment	75,791	86,077	5,816	167,684	24,922	75,724	6,975	107,621
Leasehold land and land use rights	216,578	15,463	–	232,041	1,664	15,654	–	17,318
Interests in an associate	4,507	–	–	4,507	1,955	–	–	1,955
Trading licence	1,080	–	–	1,080	1,080	–	–	1,080
Rental deposits	29,035	408	1,968	31,411	22,292	754	2,861	25,907
	<u>326,991</u>	<u>101,948</u>	<u>7,784</u>	<u>436,723</u>	<u>51,913</u>	<u>92,132</u>	<u>9,836</u>	<u>153,881</u>

4 Expenses by nature

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> (Restated)
Cost of sales		
– cost of inventories sold	4,028,592	3,038,697
– cost of licensing business (including part of directors' emoluments)	64,303	46,578
	<u>4,092,895</u>	<u>3,085,275</u>
Staff costs (including part of directors' emoluments)	263,670	239,097
Operating lease rentals in respect of land and buildings	197,291	164,329
Advertising and promotion expenses	33,045	33,041
Commission expenses to credit card companies	42,640	31,617
Depreciation of property, plant and equipment	40,187	36,055
Amortisation of leasehold land and land use rights	3,572	366
Provision for impairment of leasehold improvements	–	2,315
Loss on disposal of property, plant and equipment and leasehold land	1,106	351
Deficit on revaluation of properties	6	6
Auditor's remuneration	3,320	3,096
Others	95,498	76,964
	<u>4,773,230</u>	<u>3,672,512</u>
Total	<u><u>4,773,230</u></u>	<u><u>3,672,512</u></u>
Representing:		
Cost of sales	4,092,895	3,085,275
Selling and distribution costs	610,922	519,354
Administrative expenses	69,413	67,883
	<u>4,773,230</u>	<u>3,672,512</u>

5 Other (losses)/gains, net

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
(Loss)/gain on derivative financial instruments-trading of gold	(22,491)	2,709
Write back of provision for slow-moving inventories	552	735
	<u>(21,939)</u>	<u>3,444</u>

6 Taxation

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current taxation:		
– Hong Kong profits tax	55,240	26,553
– over-provision in prior years	(948)	(3,283)
– overseas taxation	39,434	10,930
Deferred taxation	3,814	3,581
	<u>97,540</u>	<u>37,781</u>

Hong Kong profits tax has been provided for at the rate of 16.5% (2009: 16.5%) 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\$531,632,000 (2009: HK\$275,160,000) and the weighted average number of 492,507,850 (2009: 492,507,850) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31st March 2010 and 2009 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years.

8 Dividends

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
2009/10 interim, paid, of HK\$0.15 (2008/09 interim: HK\$0.05) per ordinary share	<u>73,876</u>	<u>24,625</u>
2009/10 final, proposed, of HK\$0.28 (2008/09 final: HK\$0.12) per ordinary share	<u>137,902</u>	<u>59,101</u>

At a meeting held on 20th July 2010, the directors recommended the payment of a final dividend of HK\$0.28 per ordinary share, totalling HK\$137,902,000. Such dividend is to be approved by the shareholders at the Annual General Meeting on 31st August 2010. 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 2011.

9 Trade receivables

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

The ageing analysis of trade receivables is as follows:

	Group	
	2010	2009
	HK\$'000	HK\$'000
0-30 days	49,351	27,274
31-60 days	19,197	7,812
61-90 days	5,258	946
91-120 days	–	14
Over 120 days	–	1,035
	<u>73,806</u>	<u>37,081</u>

The carrying amounts of trade receivables approximate their fair values.

10 Trade payables, other payables and accruals

	Group	
	2010	2009
	HK\$'000	HK\$'000
Trade payables	274,141	68,780
Deposits from customers and licensees	119,461	87,241
Salaries and welfare payables	64,132	49,321
Other payables	48,551	32,538
Accrued expenses	24,149	20,819
	<u>530,434</u>	<u>258,699</u>

The ageing analysis of trade payables is as follows:

	Group	
	2010	2009
	HK\$'000	HK\$'000
0-30 days	187,538	37,958
31-60 days	53,960	16,676
61-90 days	14,226	5,761
91-120 days	10,147	1,405
Over 120 days	8,270	6,980
	<u>274,141</u>	<u>68,780</u>

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

FINANCIAL PERFORMANCE

Results

For the year ended 31st March 2010, the Group's total revenue was approximately HK\$5,386,432,000, which represented a 36% growth as compared to HK\$3,959,227,000 in the previous year. Profit attributable to shareholders rose 93.2% to approximately HK\$531,632,000 from HK\$275,160,000 of last year. Operating profit margin improved by 3.8% to 11.8%. Basic earnings per share were HK 107.9 cents (2009: HK 55.9 cents).

Dividend

The Directors proposed a final dividend of HK 28 cents per share (2009: HK 12 cents per share) for the year ended 31st March 2010. In addition to the interim dividend of HK 15 cents per share (2009: HK 5 cents per share) already paid, the dividend for the full year amounted to HK 43 cents per share (2009: HK 17 cents per share). The proposed dividend will be paid on 13th September 2010 following the approval at the Annual General Meeting.

Overview

Benefited by the recovery of the global economy, the overall performance in the financial year 2009/10 was encouraging. The step-up in the overall performance was mainly attributable to the substantial increase in retail and wholesale volume.

The Group's revenue from the retail business, which accounted for 76% of the total revenue, amounted to HK\$4,090,804,000, representing an increase of 33% compared to last year. Meanwhile, revenue from wholesale business, which accounted for 21% of the total revenue, reached HK\$1,122,098,000, registering a 50% growth from last year. Notwithstanding the surging gold price during the year, gold products remained popular among customers. For the year ended 31st March 2010, gold products and gemstone jewellery products, excluding trade-in transactions, contributed approximately 53% and 47% of the Group's sales. Moreover, figures from the Census and Statistics Department in Hong Kong shows that in 2009, number of marriages increased 7.9% from last year. Wedding couples who have a strong demand in gold products also favored the Group's retail sales.

Mainland visitors contributed over 50% of the Group's Hong Kong retail sales. According to the figures from the Hong Kong Tourism Board, mainland arrivals increased by 6.5% to approximately 17 million in 2009. The Group could therefore 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, accounting for approximately 74% of the Group's total revenue. As at 31st March 2010, the Group operated a total of 31 retail outlets in Hong Kong. During the year under review, the Group opened a two-storey self-operated shop in Park Lane Shopper's Boulevard, Tsim Sha Tsui.

Over 50% of Hong Kong sales were contributed by the PRC tourists and the spending of the PRC tourists has been the key support of our Hong Kong sales. In favour of the government's relaxation on individual travel scheme, sales derived from tourists kept increasing. To capture the growing number of PRC tourists, the Group sought opportunities to establish shops at tourists' must-visit shopping districts such as Tsim Sha Tsui and Causeway Bay. During the year, the Group increases the number of retail shops in Tsim Sha Tsui to five.

In August 2009, the Group acquired the whole block of Cyber Plaza, a 18-storey commercial building situated in Jordon, Kowloon, mainly for the purpose of accommodating the Group's head office operation.

Established at the flagship store located at Haiphong Mansion in April 2010, the Group's first OMEGA Watch counter received satisfactory sales performance. The Group would explore opportunities to collaborate with other prestigious brands so as to tap the sizable watch market.

During the period, the Group continued to market and promote the brand through a range of joint promotion, sponsorship and exhibition, and received impressive results.

PRC Market

The Group's business benefited greatly from the strong growth of economy of the PRC. During the year under review, revenue from the PRC market accounted for 16% of the Group's total revenue, amounting to HK\$855,496,000 (2009: HK\$551,454,000), representing a 55% increase as compared to the previous year.

During the year, the Group established 83 licensee shops in the PRC, accumulating its total number to 483. Apart from expanding the licensee shop network, the Group sets up self-operated shops as well. As at 31 March 2010, the Group had 36 self-operated shops in the PRC, of which 17 is newly established. The Group continues to look for suitable location for self-operated shops in the PRC and the number of it is expected to increase rapidly.

Macau Market

During the period, the Group operated four self-operated shops in Macau, the Group held an optimistic view in its retail industry. The business performance of the Macau shops was encouraging during the year under review. Revenue from the Macau shops amounted to HK\$504,957,000, representing a 88% increase as compared to the previous year.

Overseas Market

The Group currently has two shops (one self-operated and one licensed) in Canada and one self-operated shop in the United States. The Group will continue to work according to the corporate motto of “Brand of Hong Kong, Sparkling the world”, looking for opportunities to expand the overseas market with a view to build up an international image.

BUSINESS REVIEW

Products

During the year, the Group diversified its customer segments by launching a series of new products with exquisite designs and craftsmanship featuring different celebrations and festivals. Promotional series are as follows:

- “Warm-hearted” Collection for Mother’s Day Promotion
- “Admiring Heart” and “Praising Me” Series of “K-gold” 18K Gold Collection jointly promoted with World Gold Council
- “Wedding Ring” Collection
- Pure gold “Xifu” Collection for wedding couples
- Summer Collection 2009
- “Love Forever” Collection with celebrity Mr. Raymond Lam as the spokesperson in the PRC
- “My Precious Platinum 2009 Collection” jointly promoted with Platinum Guild International
- “Convergence of Love” Collection specially designed for sparkling Christmas
- Pure gold ornaments “Lucky Tiger” Collection, mini gold accessories of “12 Chinese Zodiac” and “Lucky Tiger” Gold Bar Collection to celebrate the Lunar New Year
- “Sol Enjoy” and “Sol Joyful” Series of “Sol Diamond” Collection for Labour Day Promotion

Sales Network

As at 31st March 2010, the Group had 73 wholly owned retail outlets under the brand name of “Luk Fook” in the PRC, Hong Kong, Macau, the United States and Canada. One new shop was opened in Tsim Sha Tsui during the year, accumulating the number of shops in Hong Kong to a total of 31.

During the year, the Group operated a total of 36 self-operated shops in various provinces and cities in the PRC, including Beijing, Guangzhou, Nanjing, Shanghai, Hangzhou, Wuhan and Jinan. The number of licensee shops in the PRC had also increased to 483 as at 31st March 2010.

Marketing and Promotion

To be in line with the corporate motto of “Brand of Hong Kong, Sparkling the World” and to further strengthen Luk Fook Jewellery’s corporate brand image, the Group actively participated in a wide spectrum of marketing activities and publicity campaigns in order to further consolidate its brand positioning and increase awareness in global jewellery market, as well as to 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 to boost sales.

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

- Sponsored the diamond crown and precious jewellery pieces to “Miss Hong Kong Pageant” for the 12th consecutive year
- Being the official sponsor of the crown and jewellery for “Miss Asia Pageant” for consecutive years
- Sponsored the “Miss Chinese Pageant” in Vancouver and Toronto, Canada for several years
- Being the exclusive sponsor of the crowns and scepter for “City Beauties Pageant” for consecutive years
- 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.
- Launched new TV commercial series “Love is Beauty”
- Enhanced the advertising impact by strategically placed outdoor advertisement at the back of KMB buses of different routes throughout Hong Kong
- Actively explored online promotion platform by banner advertisement, advertorial write-up and online games

- Introduced key items and new products in festivals including Mother’s Day, Labour Day and National Day, stimulating consumers’ demand through publicity programmes in order to achieve better sales results
- Invited celebrity Mr. Raymond Lam as the spokesperson of “Love Forever” Collection in the PRC
- Sponsored TVB’s production – “Raymond Lam Special” and “LET’s GET WET” concert
- Invited celebrities Mr. Raymond Lam, Ms. Yoyo Mung and Mr. Zhoulibo to attend ribbon-cutting activities in different cities of the PRC in celebration of the grand opening of new shops
- Participated in “Style Hong Kong, Wuhan”, an exhibition that was well-recognized in Hong Kong and the PRC
- Took part in “Joint Coalition Against Financial Tsunami” and issued consumption vouchers so as to encourage citizens to spend in Hong Kong and fight against the financial tsunami
- Cooperated with UnionPay China to launch “Union Pay Shopping in Summer” by offering privileges to UnionPay China users
- Participated in “Hong Kong Wedding & Wedding Gifts Expo 2009” and “Hong Kong Wedding & Overseas Wedding Expo 2009” held in Hong Kong Convention and Exhibition Centre, as well as “The 2nd InterContinental Shenzhen Wedding Exhibition” held in InterContinental Shenzhen
- Title sponsored “Cantonese Opera Excerpt” by well-known artist Ms. Connie Chan Po Chu
- Sponsored a “Ming Chee Sing Chinese Opera Show” exclusively for Lukfook Jewellery’s customers
- Jointly organized a seminar on the overview of Year of the Tiger with a famous Master of Chinese Fung Shui Philosophy – Lee Sing Tong exclusively for Lukfook VIP members
- Established an exclusive booth for selling of lucky gold accessories in Che Kung Temple, Shatin during the Lunar New Year
- Made donation to extend support to “Tung Wah Charity Show 2009”
- Sponsored the prizes and souvenirs for “The Bun Carnival 2009” annually held in Cheung Chau
- Participated in the “Global Jewelry-ID Management Label Scheme” as a pilot company
- Carried out joint promotion with renowned brands including Haier, Nestle, P&G, Shiseido and Watsons, etc

Brand Management

The Group strongly believes that brand reputation will greatly affect sales performance. 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 and bolster customers' purchasing confidence. The Group launched Luk Fook TV channel, broadcasting live every important event of Luk Fook in each retail store in Hong Kong.

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

- “PRC Consumers’ Most Favorable Hong Kong Brands 2009 – Gold Prize” for 4 consecutive years
- “My Favourite Jewellery Brand of Hong Kong” in “My Best Favourite Brand in Hong Kong 2009”
- “2009 Hong Kong Awards for Industries: Productivity and Quality”
- “Hong Kong Premier Service Brand” in “ 2009 Hong Kong Top Brand Awards & Hong Kong Top Service Brand Awards”
- “Caring Company 2009/10 Logo”
- “Hong Kong Service Award 2010 – Quality Living Category” from East Week Magazine
- “Hong Kong & Macau Merchants of Integrity Award” & “Favourite Top Ten Brands of Hong Kong & Macau” for 5 consecutive years
- “The Most Popular Brand Award 2009 – The Most Popular Apparel Brand” from TVB Weekly
- 2009 Hong Kong Awards for Environmental Excellence – Certificate of Merit in Manufacturing Sector

Gaining international recognitions also helped strengthening the Group's brand image in the global jewellery industry.

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 to operate a portion of the gold and gem-set jewellery's production processes. Besides, the Group invested approximately HK\$100,000,000 to set up a large-scale jewellery processing plant in Panyu, Guangdong, the PRC, with a total floor area of over 350,000 square feet. The total production capacity increased three times that of the old factory with the full operation of the new plant.

Portal Operation

The Group's 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 manufacturers, wholesalers and retailers all over the world, but also an additional promotion and distribution 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 teams, the Group's has designed over 20,000 styles for customers' selections. Those creative, attractive and fashionable 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.

To widen the horizons and enhance the creative inspiration, 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
- 2 Gold Prize and 2 Silver Prize in the section of Earrings and Collection Design in "The Buyers' Favorite Jewelry Design Competition 2009"
- 2 merit awards in "The 11th Hong Kong Jewellery Design Competition"

Quality Assurance

The Group is committed to maintaining the highest level 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. The Laboratory passed the ISO 17025 in jadeite authentication and diamond testing and grading accredited by the Hong Kong Accreditation Service, also met the principles of ISO 9001:2008 Quality Management Systems – Requirements, demonstrating the professional quality assurance system of the Group. China Gems Laboratory is the only subsidiary laboratory of local jewellery retailer obtaining both accreditations.

Environmental Protection

The Group's factory in Panyu obtained the ISO 14001:2004 Environmental Management System, demonstrating its environmental-friendly manufacturing process. Moreover, the Group also attained "2009 Hong Kong Awards for Environmental Excellence – Certificate of Merit in Manufacturing Sector" for its outstanding environmental performance. The Group will continue to work towards environmental sustainability while delivering quality products.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's core business is gold and jewellery retailing. As at 31st March 2010, the Group's cash on hand reached approximately HK\$287 million (2009: HK\$280 million). The Group's bank borrowings-to-equity ratio at the year-end, being the proportion of total bank borrowings of approximately HK\$314 million (2009: HK\$169 million) against total shareholders' equity of approximately HK\$1,664 million (2009: HK\$1,256 million), was 18.9% (2009: 13.5%).

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\$315 million (2009: HK\$30 million), including the costs of properties, leasehold land, leasehold improvement, furniture, fixture and equipment.

Capital Commitments

As at 31st March 2010, the Group had total capital commitments in respect of acquisition of property, plant and equipment of approximately HK\$7 million (2009: HK\$1 million).

Contingent Liabilities

The Group did not have any significant contingent liabilities at 31st March 2010 and 31st March 2009.

Employment, Training, Development and Recruitment Remuneration Policy

As at 31st March 2010, the number of employees of the Group was approximately 3,053 (2009: 2,445). 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 2010 to 31st August 2010, 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 2010.

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 2009, the audit committee has held several meetings to consider matters including the 2009 annual report of the Company, internal controls, the unaudited interim condensed consolidated financial information for the six months ended 30th September 2009, the 2010 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 2010. The figures in respect of the preliminary announcement of the Group's results for the year ended 31st March 2010 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 2009, the Remuneration Committee held two meetings to review the policies for determining annual salary increments for the calendar year 2010, to approve the payment of the discretionary year-end bonus for 2009, and an incentive bonus for all nonsales 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 2010.

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 "Lastest 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 2010 will be dispatched to the shareholders on 31st July 2010 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

20th July 2010