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(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 2011

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 2011 together with comparative figures for the corresponding period in 2010 as follows:

### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

	Note	2011 HK\$'000	2010 HK\$'000 (Restated)
Revenue	3	8,091,121	5,386,432
Cost of sales	4	(6,173,877)	(4,092,895)
Gross profit		1,917,244	1,293,537
Other income		55,977	43,850
Selling and distribution costs	4	(812,593)	(611,069)
Administrative expenses	4	(99,169)	(69,414)
Other losses, net	5	(37,454)	(21,939)
Operating profit		1,024,005	634,965
Finance income		9,392	342
Finance costs		(4,661)	(3,548)
Finance income/(costs), net		4,731	(3,206)
Share of results of an associate		487	2,343
Profit before income tax		1,029,223	634,102
Income tax expenses	6	(152,007)	(97,540)
Profit for the year		877,216	536,562
Profit attributable to:			
Equity holders of the Company		866,216	531,484
Non-controlling interests		11,000	5,078
		877,216	536,562
Earnings per share for profit attributable to equity holders of the Company during the year	7		
Basic		HK\$1.71	HK\$1.08
Diluted		HK\$1.71	HK\$1.08

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31ST MARCH 2011**

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
Profit for the year	<b>877,216</b>	536,562
Other comprehensive income:		
Currency translation differences	<b>26,476</b>	5,782
Revaluation surplus of property, plant and equipment upon transfer to investment properties, net of tax	<b>16,114</b>	–
Other comprehensive income for the year, net of tax	<b>42,590</b>	5,782
Total comprehensive income for the year	<b>919,806</b>	542,344
Attributable to:		
– Equity holders of the Company	<b>908,044</b>	537,056
– Non-controlling interests	<b>11,762</b>	5,288
Total comprehensive income for the year	<b>919,806</b>	542,344

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31ST MARCH 2011**

		<b>As at 31st March</b>		As at
		<b>2011</b>	2010	1st April
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Restated)	(Restated)
<b>ASSETS</b>				
Non-current assets				
Property, plant and equipment		<b>369,942</b>	379,635	110,229
Land use rights		<b>15,188</b>	15,463	15,654
Investment properties		<b>80,638</b>	–	–
Interests in an associate		<b>5,219</b>	4,507	1,955
Trading licence		<b>1,080</b>	1,080	1,080
Rental deposits		<b>39,540</b>	31,411	25,907
Deferred income tax assets		<b>19,016</b>	14,018	14,189
		<b>530,623</b>	446,114	169,014
Current assets				
Inventories		<b>2,630,824</b>	1,735,964	1,218,880
Trade receivables	9	<b>108,591</b>	73,806	37,081
Deposits, prepayments and other receivables		<b>40,717</b>	45,863	43,747
Amount due from an associate		<b>5,052</b>	7,962	6,491
Cash and cash equivalents		<b>965,892</b>	286,946	280,125
		<b>3,751,076</b>	2,150,541	1,586,324
Total assets		<b>4,281,699</b>	2,596,655	1,755,338
<b>EQUITY</b>				
Capital and reserves attributable to the equity holders of the Company				
Share capital	10	<b>54,250</b>	49,250	49,250
Share premium	10	<b>1,187,933</b>	58,884	58,884
Reserves		<b>1,953,645</b>	1,414,506	1,089,228
Proposed dividends		<b>227,853</b>	137,902	59,101
		<b>3,423,681</b>	1,660,542	1,256,463
Non-controlling interests		<b>34,707</b>	22,945	17,657
Total equity		<b>3,458,388</b>	1,683,487	1,274,120

		<b>As at 31st March</b>		As at
		<b>2011</b>	2010	1st April
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Restated)	(Restated)
<b>LIABILITIES</b>				
Non-current liabilities				
Deferred income tax liabilities		<b>18,503</b>	6,623	2,980
Employee benefit obligations		<b>27,966</b>	12,266	22,733
		<b>46,469</b>	18,889	25,713
Current liabilities				
Trade payables, other payables and accruals	<i>11</i>	<b>686,400</b>	530,434	258,699
Borrowings		–	313,700	169,000
Current income tax liabilities		<b>90,442</b>	50,145	27,806
		<b>776,842</b>	894,279	455,505
Total liabilities		<b>823,311</b>	913,168	481,218
Total equity and liabilities		<b>4,281,699</b>	2,596,655	1,755,338
Net current assets		<b>2,974,234</b>	1,256,262	1,130,819
Total assets less current liabilities		<b>3,504,857</b>	1,702,376	1,299,833

## 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

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) Effect of adopting amendments to standards and interpretations

HKAS 17 (amendment), “Leases”, deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under – “Leasehold land and land use rights”, and amortised over the lease term.

HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1st April 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1st April 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified leasehold land from operating lease to finance lease.

The accounting for land interest classified as finance lease is as below:

- If the property interest is held for own use, that land interest is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and the lease term.
- If the property interest is held to earn rentals and/or for capital appreciation, that land interest is accounted for as an investment property.

The effect of adoption of this amendment is analysed in note 2(d).

HK Int-5 “Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause” has been applied retrospectively for annual periods beginning 1st April 2010. According to HK Int-5, if a term loan agreement includes an overriding repayment on demand clause (“callable feature”), which gives the lender a clear and unambiguous unconditional right to demand repayment at any time at its sole discretion, a borrower shall classify the term loan as a current liability in its balance sheet, as the borrower does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Accordingly the long-term portion of the Group’s mortgage loan of HK\$150,878,000 was reclassified from non-current liabilities to current liabilities in the consolidated balance sheet as at 31st March 2010.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1st April 2010. The adoption of these new standard and amendments to standards does not have any significant impact to the results and financial position of the Group.

HKFRSs (Amendment)	Improvements to HKFRSs 2009, except for HKAS 17 (Amendment) “Leases”
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HKFRS 5 (Amendment)	Non-current asset held for sale and discontinued operations
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 39 (Amendment)	Eligible hedged items

- (b) The following new and amended standards, and interpretations are mandatory for the first time for the financial year beginning 1st April 2010, but are not currently relevant to the Group:

HKFRS 1 (Revised)	First-time adoption of HKFRSs
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HK(IFRIC) – Int 9	Reassessment of embedded derivatives
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – Int 17	Distribution of non-cash asset of owners
HK(IFRIC) – Int 18	Transfers of assets from customers

- (c) New standards, amendments to standards and interpretations have been issued but are not effective for the financial year ended 31st March 2011 and have not been early adopted by the Group

HKFRSs (Amendment)	Improvements to HKFRSs 2010 <sup>(1)</sup>
HKFRS 7 (Amendment)	Disclosures – transfers of financial assets <sup>(2)</sup>
HKFRS 9	Financial instruments <sup>(3)</sup>
Additions to HKFRS 9	Financial instruments – financial liabilities <sup>(3)</sup>
HKFRS 10	Consolidated financial statements <sup>(3)</sup>
HKFRS 11	Joint arrangements <sup>(3)</sup>
HKFRS 12	Disclosure of interests in other entities <sup>(3)</sup>
HKFRS 13	Fair value measurement <sup>(3)</sup>
HKAS 12 (Amendment)	Deferred tax – recovery of underlying assets <sup>(2)</sup>
HKAS 24 (Revised)	Related party disclosures <sup>(1)</sup>
HKAS 27 (2011)	Separate financial statements <sup>(3)</sup>
HKAS 28 (2011)	Investments in associates and joint ventures <sup>(3)</sup>
HKAS 32 (Amendment)	Classification of right issues <sup>(1)</sup>
HK(IFRIC)-Int 14	Prepayments of a minimum funding requirement <sup>(1)</sup>
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments <sup>(1)</sup>

<sup>(1)</sup> Effective for the Group for annual period beginning on 1st April 2011

<sup>(2)</sup> Effective for the Group for annual period beginning on 1st April 2012

<sup>(3)</sup> Effective for the Group for annual period beginning on 1st April 2013

(d) Change in accounting policy

In previous years, the Group's properties ("the Properties") were carried in the consolidated balance sheet at revaluation less subsequent depreciation (the "Revaluation Model"). With effect from 1st April 2010, the Group changed its accounting policy for the Properties to the cost model under HKAS 16 (the "Cost Model"). The change was made to increase the relevance of financial data to the users of the financial statements by taking into consideration the following factors:

- (i) The market values of the Properties are volatile and are influenced by various factors which are seldom associated with the underlying operation and performance of the Group. Adoption of the Cost Model will avoid fluctuations in the Group's financial statements resulting from the cyclical volatility associated with the Revaluation Model and the Group's financial performance could be more comparable on a year-on-year basis.
- (ii) A majority of comparable companies within the Hong Kong and PRC retail industry adopt the Cost Model. Therefore, using the Cost Model can align the Group's accounting policy with industry peers and improve comparability of the Group's financial performance with industry peers.

The change in accounting policy has been accounted for retrospectively and the relevant comparative figures have been restated.

The effect of adoption of HKAS 17 (Amendment) and change in accounting policy for the Properties is as follows:

(i) Consolidated income statement

	Year ended 31st March 2011		Year ended 31st March 2010	
	HKAS 17 (Amendment) HK\$'000	Change to Cost Model for Properties HK\$'000	HKAS 17 (Amendment) HK\$'000	Change to Cost Model for Properties HK\$'000
Increase in depreciation	5,033	15	3,114	148
Decrease in amortisation of leasehold land	(5,033)	–	(3,114)	–
Total decrease in profit for the year	<u>–</u>	<u>15</u>	<u>–</u>	<u>148</u>
Attributable to:				
Equity holders of the Company	<u>–</u>	<u>15</u>	<u>–</u>	<u>148</u>
Decrease in basic earnings per share	–	HK 0.003 cent	–	HK 0.030 cent
Decrease in diluted earnings per share	<u>–</u>	<u>HK 0.003 cent</u>	<u>–</u>	<u>HK 0.030 cent</u>

(ii) Consolidated balance sheet

	As at 31st March 2011		As at 31st March 2010		As at 1st April 2009	
	HKAS 17 (Amendment) HK\$'000	Change to Cost Model for Properties HK\$'000	HKAS 17 (Amendment) HK\$'000	Change to Cost Model for Properties HK\$'000	HKAS 17 (Amendment) HK\$'000	Change to Cost Model for Properties HK\$'000
Increase/(decrease) in property, plant and equipment	211,742	(4,790)	216,578	(4,627)	1,664	944
Decrease in leasehold land and land use rights	(211,742)	-	(216,578)	-	(1,664)	-
Increase/(decrease) in deferred income tax assets	-	112	-	341	-	(51)
Decrease in deferred income tax liabilities	-	(401)	-	(492)	-	-
Increase in exchange reserve	-	3,721	-	3,651	-	3,644
Decrease in revaluation reserve	-	(8,017)	-	(7,479)	-	(2,933)
Increase in retained earnings	-	19	-	34	-	182

### 3 Segment information

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 interests in an associate, certain leasehold land and buildings, investment properties, deferred income tax assets and corporate assets, all of which are managed on a central basis. These are part of 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 2011

	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>
<b>Revenue</b>					
Sales of merchandises	6,200,336	454,942	2,730,280	–	9,385,558
Inter-segment sales	(214,393)	(778)	(1,991,562)	–	(2,206,733)
	<u>5,985,943</u>	<u>454,164</u>	<u>738,718</u>	<u>–</u>	<u>7,178,825</u>
Sales of scrap gold and platinum and gold bullion	–	–	636,738	–	636,738
	<u>5,985,943</u>	<u>454,164</u>	<u>1,375,456</u>	<u>–</u>	<u>7,815,563</u>
Royalty income	–	–	–	253,292	253,292
Consultancy fee income	–	–	–	22,266	22,266
	<u>5,985,943</u>	<u>454,164</u>	<u>1,375,456</u>	<u>275,558</u>	<u>8,091,121</u>
Revenue from external customers	<u>5,985,943</u>	<u>454,164</u>	<u>1,375,456</u>	<u>275,558</u>	<u>8,091,121</u>
<b>Results of reportable segments</b>	<u>693,109</u>	<u>68,173</u>	<u>209,025</u>	<u>172,540</u>	<u>1,142,847</u>
A reconciliation of results of reportable segments to profit for the year is as follows:					
<b>Results of reportable segments</b>					1,142,847
Unallocated income					4,573
Unallocated expenses					(123,415)
<b>Operating profit</b>					1,024,005
Finance income					9,392
Finance costs					(4,661)
Share of results of an associate					487
<b>Profit before income tax</b>					1,029,223
Income tax expense					(152,007)
<b>Profit for the year</b>					877,216
Non-controlling interests					(11,000)
<b>Profit attributable to equity holders of the Company</b>					<u>866,216</u>

Year ended 31st March 2011

	Retailing – Hong Kong, Macau and overseas HK\$'000	Retailing – The PRC HK\$'000	Wholesaling HK\$'000	Licensing HK\$'000	Inter- segment elimination HK\$'000	Reportable segments Total HK\$'000	Unallocated HK\$'000	Total HK\$'000
Depreciation of property, plant and equipment	23,781	6,644	9,551	458	–	40,434	9,073	49,507
Amortisation of land use rights	–	–	155	300	–	455	13	468
Depreciation of investment properties	–	–	–	–	–	–	922	922

As at 31st March 2011

	Retailing – Hong Kong, Macau and overseas HK\$'000	Retailing – The PRC HK\$'000	Wholesaling HK\$'000	Licensing HK\$'000	Inter- segment elimination HK\$'000	Reportable segments Total HK\$'000	Unallocated HK\$'000	Total HK\$'000
Segment assets	<u>2,068,987</u>	<u>414,841</u>	<u>1,702,170</u>	<u>135,470</u>	<u>(892,896)</u>	<u>3,428,572</u>	–	<u>3,428,572</u>
Interests in an associate							5,219	5,219
Land and buildings							194,307	194,307
Investment properties							80,638	80,638
Deferred income tax assets							19,016	19,016
Other unallocated assets							<u>553,947</u>	<u>553,947</u>
<b>Total assets per consolidated balance sheet</b>								<u><b>4,281,699</b></u>
Segment liabilities	<u>(813,317)</u>	<u>(339,560)</u>	<u>(192,799)</u>	<u>(165,794)</u>	<u>892,896</u>	<u>(618,574)</u>	–	<u>(618,574)</u>
Deferred income tax liabilities							(18,503)	(18,503)
Current income tax liabilities							(90,442)	(90,442)
Other unallocated liabilities							<u>(95,792)</u>	<u>(95,792)</u>
<b>Total liabilities per consolidated balance sheet</b>								<u><b>(823,311)</b></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>	Reportable segments Total <i>HK\$'000</i> (Restated)
<b>Revenue</b>					
Sales of merchandises	4,041,455	289,169	1,958,174	–	6,288,798
Inter-segment sales	<u>(239,820)</u>	<u>–</u>	<u>(1,506,661)</u>	<u>–</u>	<u>(1,746,481)</u>
	3,801,635	289,169	451,513	–	4,542,317
Sales of scrap gold and platinum and gold bullion	<u>–</u>	<u>–</u>	<u>670,585</u>	<u>–</u>	<u>670,585</u>
Sales to external customers	3,801,635	289,169	1,122,098	–	5,212,902
Royalty income	–	–	–	154,369	154,369
Consultancy fee income	<u>–</u>	<u>–</u>	<u>–</u>	<u>19,161</u>	<u>19,161</u>
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>
<b>Results of reportable segments, as restated</b>	<u>387,914</u>	<u>39,103</u>	<u>142,757</u>	<u>107,898</u>	<u>677,672</u>
A reconciliation of results of reportable segments to profit for the year is as follows:					
<b>Results of reportable segments</b>					677,672
Unallocated income					10,595
Unallocated expenses					<u>(53,302)</u>
<b>Operating profit</b>					634,965
Finance income					342
Finance costs					(3,548)
Share of results of an associate					<u>2,343</u>
<b>Profit before income tax</b>					634,102
Income tax expense					<u>(97,540)</u>
<b>Profit for the year</b>					536,562
Non-controlling interests					<u>(5,078)</u>
<b>Profit attributable to equity holders of the Company</b>					<u>531,484</u>

Year ended 31st March 2010

	Retailing – Hong Kong, Macau and overseas HK\$'000	Retailing – The PRC HK\$'000	Wholesaling HK\$'000	Licensing HK\$'000	Inter- segment elimination HK\$'000	Reportable segments Total HK\$'000	Unallocated HK\$'000	Total HK\$'000
Depreciation of property, plant and equipment, as restated	19,154	8,268	9,874	65	–	37,361	6,087	43,448
Amortisation of land use rights, as restated	–	–	151	293	–	444	14	458

As at 31st March 2010

	Retailing – Hong Kong, Macau and overseas HK\$'000	Retailing – The PRC HK\$'000	Wholesaling HK\$'000	Licensing HK\$'000	Inter- segment elimination HK\$'000	Reportable segments Total HK\$'000	Unallocated HK\$'000 (Restated)	Total HK\$'000 (Restated)
Segment assets, as restated	1,396,274	300,734	741,453	22,664	(248,453)	2,212,672	–	2,212,672
Interests in an associate							4,507	4,507
Land and buildings							261,714	261,714
Deferred income tax assets							14,018	14,018
Other unallocated assets							103,744	103,744
<b>Total assets per consolidated balance sheet</b>								<b>2,596,655</b>
Segment liabilities	(227,060)	(259,662)	(140,061)	(104,694)	248,453	(483,024)	–	(483,024)
Deferred income tax liabilities, as restated							(6,623)	(6,623)
Borrowings							(313,700)	(313,700)
Current income tax liabilities							(50,145)	(50,145)
Other unallocated liabilities							(59,676)	(59,676)
<b>Total liabilities per consolidated balance sheet</b>								<b>(913,168)</b>

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:

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Revenue		
Hong Kong	<b>5,886,770</b>	4,003,289
The PRC	<b>1,401,780</b>	855,496
Other locations	<b>802,571</b>	527,647
	<b><u>8,091,121</u></b>	<b><u>5,386,432</u></b>

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

	2011				2010			
	Hong Kong <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Other locations <i>HK\$'000</i>	Total <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i> (Restated)	The PRC <i>HK\$'000</i> (Restated)	Other locations <i>HK\$'000</i>	Total <i>HK\$'000</i> (Restated)
Property, plant and equipment	270,646	88,604	10,692	369,942	287,178	86,641	5,816	379,635
Land use rights	–	15,188	–	15,188	–	15,463	–	15,463
Investment properties	80,638	–	–	80,638	–	–	–	–
Interests in an associate	5,219	–	–	5,219	4,507	–	–	4,507
Trading licence	1,080	–	–	1,080	1,080	–	–	1,080
Rental deposits	33,300	470	5,770	39,540	29,035	408	1,968	31,411
	<b><u>390,883</u></b>	<b><u>104,262</u></b>	<b><u>16,462</u></b>	<b><u>511,607</u></b>	<b><u>321,800</u></b>	<b><u>102,512</u></b>	<b><u>7,784</u></b>	<b><u>432,096</u></b>

#### 4 Expenses by nature

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
Cost of sales		
– cost of inventories sold	6,073,376	4,028,592
– cost of licensing business ( <i>note</i> )	<u>100,501</u>	<u>64,303</u>
	6,173,877	4,092,895
Staff costs (including the directors' emoluments)	381,748	263,670
Operating lease rentals in respect of land and buildings	252,817	197,291
Advertising and promotion expenses	37,870	33,045
Commission expenses to credit card companies	67,874	42,640
Depreciation of property, plant and equipment	49,507	43,448
Depreciation of investment properties	922	–
Amortisation of land use rights	468	458
Loss on disposal of property, plant and equipment	1,968	1,106
Auditor's remuneration	3,593	3,320
Others	<u>114,995</u>	<u>95,505</u>
Total	<u>7,085,639</u>	<u>4,773,378</u>
Representing:		
Cost of sales	6,173,877	4,092,895
Selling and distribution costs	812,593	611,069
Administrative expenses	<u>99,169</u>	<u>69,414</u>
	<u>7,085,639</u>	<u>4,773,378</u>

*Note:* Cost of licensing business includes staff costs of HK\$60,180,000 (2010: HK\$38,042,000).

#### 5 Other losses, net

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Loss on derivative financial instruments		
– trading of gold	(37,548)	(22,491)
Write back of provision for slow-moving inventories	<u>94</u>	<u>552</u>
	<u>(37,454)</u>	<u>(21,939)</u>

## 6 Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2010: 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.

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Current taxation:		
– Hong Kong profits tax	91,556	55,240
– PRC corporate income tax	47,102	31,452
– overseas taxation	14,174	7,982
– over-provision in prior years	(4,523)	(948)
Deferred tax	3,698	3,814
	<u>152,007</u>	<u>97,540</u>

## 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\$866,216,000 (2010 restated: HK\$531,484,000) and the weighted average number of 507,987,302 (2010: 492,507,850) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31st March 2011 and 2010 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years.

## 8 Dividends

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
2010/11 interim, paid, of HK 26 cents (2009/10 interim: HK 15 cents) per ordinary share	<u>141,052</u>	<u>73,876</u>
2010/11 final, proposed, of HK 42 cents (2009/10 final: HK 28 cents) per ordinary share ( <i>note</i> )	<u>227,853</u>	<u>137,902</u>

*Note:*

At a meeting held on 28th June 2011, the directors recommended the payment of a final dividend of HK 42 cents per ordinary share, totalling HK\$227,853,000. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company on 29th August 2011. 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 2012.

## 9 Trade receivables

The Group's sales comprised mainly cash sales and credit card sales. Concessionaire sales through department stores and sales to wholesale customers are generally on credit terms ranging from 0 to 90 days.

The ageing analysis of trade receivables is as follows:

	<b>Group</b>	
	<b>2011</b>	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	<b>86,473</b>	49,351
31–60 days	<b>17,789</b>	19,197
61–90 days	<b>2,953</b>	5,258
91–120 days	<b>40</b>	–
Over 120 days	<b>1,336</b>	–
	<b>108,591</b>	<b>73,806</b>

The carrying amounts of trade receivables approximate their fair values.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	<b>Group</b>	
	<b>2011</b>	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	<b>35,342</b>	17,650
RMB	<b>69,295</b>	54,099
Other currencies	<b>3,954</b>	2,057
	<b>108,591</b>	<b>73,806</b>

The credit quality of trade receivables has been assessed by reference to historical default rate of the counterparty. The existing counterparties do not have defaults in the past.

As at 31st March 2011, trade receivables of HK\$1,376,000 were past due but not impaired (2010: Nil).

## 10 Share capital and share premium

### (a) Share capital

	<b>2011</b>		2010	
	<i>No. of shares</i>	<i>HK\$'000</i>	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.1 each	<b>800,000,000</b>	<b>80,000</b>	800,000,000	80,000
Issued and fully paid:				
Ordinary shares of HK\$0.1 each				
At 1st April	<b>492,507,850</b>	<b>49,250</b>	492,507,850	49,250
Issue of shares	<b>50,000,000</b>	<b>5,000</b>	–	–
At 31st March	<b>542,507,850</b>	<b>54,250</b>	492,507,850	49,250

On 9th December 2010, the Company issued 50,000,000 ordinary shares at nominal value of HK\$0.1 each for aggregate cash consideration of HK\$1,157,500,000. The net proceeds of such issue of shares after deducting the issuing expenses of HK\$23,451,000, is credited to share capital and share premium accounts.



The new shares rank pari passu in all respects with the then existing shares.

**(b) Share premium**

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
At 1st April	<b>58,884</b>	58,884
Issue of shares	<b>1,129,049</b>	–
At 31st March	<b>1,187,933</b>	<b>58,884</b>

**11 Trade payables, other payables and accruals**

	<b>Group</b>	
	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Trade payables	<b>332,845</b>	274,141
Deposits from customers and licensees	<b>153,321</b>	119,461
Salaries and welfare payables	<b>104,429</b>	64,132
Other payables	<b>49,123</b>	48,551
Accrued expenses	<b>46,682</b>	24,149
	<b>686,400</b>	<b>530,434</b>

The ageing analysis of trade payables is as follows:

	<b>Group</b>	
	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
0–30 days	<b>193,330</b>	187,538
31–60 days	<b>78,973</b>	53,960
61–90 days	<b>15,720</b>	14,226
91–120 days	<b>26,702</b>	10,147
Over 120 days	<b>18,120</b>	8,270
	<b>332,845</b>	<b>274,141</b>

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

The carrying amounts of the Group's trade payables, other payables and accruals are denominated in the following currencies:

	<b>Group</b>	
	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
HK\$	<b>395,834</b>	271,260
RMB	<b>180,223</b>	167,208
US\$	<b>87,412</b>	73,948
Other currencies	<b>22,931</b>	18,018
	<b>686,400</b>	<b>530,434</b>

## **FINANCIAL PERFORMANCE**

### **Results**

For the year ended 31st March 2011, the Group's total revenue was approximately HK\$8,091,121,000, which represented a 50% growth as compared to HK\$5,386,432,000 in the previous year. Profit attributable to shareholders grew by 63% to approximately HK\$866,216,000 from HK\$531,484,000 of last year. Operating profit margin improved from 11.8% in last year to 12.7% in this year. Basic earnings per share were HK\$1.71 (2010: HK\$1.08).

### **Dividend**

The Directors proposed a final dividend of HK 42 cents per share (2010: HK 28 cents per share) for the year ended 31st March 2011. In addition to the interim dividend of HK 26 cents per share already paid, the dividend for the full year amounted to HK 68 cents per share (2010: HK 43 cents per share). The proposed dividend will be paid on 12th September 2011 following the approval at the Annual General Meeting.

### **Overview**

The overall performance in the financial year 2010/11 was encouraging. The step-up in the overall performance was mainly attributable to the substantial increase in retail and wholesale volume. Appreciation of Renminbi and the PRC tourists' rising demand for luxury products also benefited the Group's retail business.

The Group's revenue from the retail business, which accounted for 79.6% of the total revenue, amounted to HK\$6,440,107,000, representing an increase of 57.4% compared to last year. Meanwhile, wholesale business reached HK\$1,375,456,000 and contributed 17% of the Group's total revenue, representing a 22.6% growth from last year. Notwithstanding the surging gold price during the year, gold products remained popular among customers. For the year ended 31st March 2011, gold/platinum products and gemstone jewellery products, contributed approximately 54.7% and 45.3% of the Group's sales, excluding trade-in transactions.

PRC visitors contributed over 50% of the Group's Hong Kong retail sales. According to the figures revealed by the Hong Kong Tourism Board, mainland arrivals increased significantly by 26.3% to approximately 22.7 million in 2010. Thanks to the appreciation of Renminbi which led to a boost in PRC customers' purchasing appetite, the per capita spending of the overnight PRC visitors also grew by 12.6% to HK\$7,453 during the year. The Group could therefore benefit from the growing number and spending of the PRC tourists who had a strong demand for luxury and quality jewellery items in Hong Kong.

## **BUSINESS PERFORMANCE**

### **Hong Kong Market**

The Hong Kong market continued to be the key contributor to the Group, taking up 72.8% of the Group's total revenue. As at 31st March 2011, the Group operated a total of 33 retail outlets in Hong Kong, of which 4 were opened during the year under review.

Accounting for over 50% of the Group's Hong Kong sales, the spending of the PRC tourists has been the key support of the retail business in Hong Kong. Favoured by the expanded scope of Individual Visit Scheme for non-Guangdong residents in Shenzhen that implemented in December 2010, sales derived from tourists kept increasing.

In April 2010, the Group's two-storey flagship store with its first OMEGA Watch Counter at Haiphong Mansion, Tsim Sha Tsui, Hong Kong was opened and has achieved satisfactory performance during the year. The Group has been expanding its business scope by collaborating with different prestigious watch brands. As at 31st March 2011, 7 brands of watches were sold in the Group's watch counter, including LONGINES, TISSOT, Philip Stein, MIDO, HAMILTON, BALL and OMEGA. For the year under review, revenue of HK\$71,569,000 was attributed by our new watch business.

During the year, the Group continued to effectively market and promote the brand through a range of joint promotion, sponsorship and exhibition. All of which received positive results.

### **PRC Market**

The Group's business benefited greatly from the robust economy of the PRC. During the year under review, revenue from the PRC market which accounted for 17.3% of the Group's total revenue, amounted to HK\$1,401,780,000 (2010: HKD\$855,496,000), representing a 63.9% increase as compared to last year.

The PRC market remained the growing engine for the Group's business development. During the year, the Group established 135 licensee shops in the PRC, accumulating its total number to 618 (including those not yet commence operation) as at 31st March 2011. While expanding the licensee shop network, the Group also set up its self-operated shops. As at 31st March 2011, the Group had 39 self-operated shops in the PRC, of which 3 was newly established. The Group continues to open both self-operated and licensee shops not only in the first and the second-tier cities, but also the third and the fourth-tier cities so as to seize the potential growth opportunities and enhance the Group's market penetration in the region.

### **Macau Market**

As at 31st March 2011, the Group operated five shops in Macau. In April 2010, the Group opened its fifth outlet at Rua de S. Domingos. Revenue derived from the Macau operation recorded a remarkable growth rate of 50.7%, amounting to HK\$760,864,000.

Tourist arrivals from the PRC achieved a significant growth of 20.4% in 2010. With a positive outlook on Macau's tourism, the Group is optimistic to sustain the growing momentum.

## **Overseas Market**

During the year, the Group operated five shops in the overseas markets, including two shops (one self-operated and one licensed) in Canada, two self-operated shops in the United States and one self-operated shop in Singapore.

In December 2010, the Group opened its second self-operated shop in the United States and its first self-operated shop in Singapore. The Singapore new shop is also the Group's first shop in Southeast Asia. The Group sees great potential in this area and thus taps the Singapore market as a pioneer.

With the corporate motto of "Brand of Hong Kong, Sparkling the world", the Group will continue to look for opportunities to broaden the overseas retail network while strengthen the leading position in Hong Kong jewellery market.

## **BUSINESS REVIEW**

### **Product**

During the year, the Group continued to diversify and enrich its product portfolio to satisfy and target different customer segments. A series of new products with exquisite designs and craftsmanship featuring different celebrations and festivals are launched:

- "Beauty of Love" Collection for Mother's Day Promotion
- "Floating", "Bubbles", "Beautiful Song", "Joyous Key" and "Cheerful Mind" Series of "K-gold elite" 18K Gold Collection
- "Wedding" Collection for wedding couples
- Pure Gold "Xifu" Collection jointly promoted with World Gold Council
- "Love Forever" Collection with celebrity Mr. Raymond Lam as the spokesperson in the PRC
- Non-wedding Platinum Collection jointly promoted with Platinum Guild International
- "Gold Charisma" Collection
- Pure gold ornaments "Lucky Rabbit" Collection, "Lucky Rabbit" Gold Bar and two exquisite accessories of "12 Chinese Zodiac" to celebrate the Lunar New Year
- "Convergence of Love" Collection specially designed for sparkling Christmas

## **Sales Network**

As at 31st March 2011, the Group had 81 wholly owned retail outlets under the brand name of “Luk Fook” in the PRC, Hong Kong, Macau, Singapore, the United States and Canada. 4 new shops were opened in Tsim Sha Tsui, Sheung Wan, Jordan and Tai Po, Hong Kong during the year; accumulating the number of shops in Hong Kong to a total of 33.

The PRC has been a major market for development these years. During the year, the Group operated a total of 39 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 was also increased to 618 as at 31st March 2011.

## **Marketing and Promotion**

To be in line with the corporate motto of “Brand of Hong Kong, Sparkling the World” and to further strengthen Lukfook 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 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 13th 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 jewellery sponsor in “TVS New Silk Road Model Contest”
- Invited celebrity Mr. Raymond Lam as the spokesperson of “Love Forever” Collection in the PRC
- Invited celebrity Mr. Raymond Lam to be the ribbon-cutting guest for the grand opening of flagship store in Tsim Sha Tsui and to distribute gold accessories during Labour Day Promotion Period
- Invited Mr. Raymond Lam and Ms. Pauline Yeung to attend ribbon-cutting activities in different cities of the PRC and North America respectively in celebration of the grand opening of new shops

- Invited renowned actress and model Ms. Lynn Xiong to attend “Lukfook Jewellery K-gold elite New Product Launch” event
- Launched Lukfook Jewellery’s Giftcards with China Union Loyalty and invited famous models Ms. Jacquelin Ch’ng and Ms. Irene Wang to attend the “Lukfook Jewellery X China Union Loyalty Giftcards” cocktail reception
- Participated in “Hong Kong Wedding & Wedding Gifts Expo 2010” and “The 61st Christmas Wedding Service & Banquet Expo” held in Hong Kong Convention and Exhibition Centre
- Established an exclusive booth for selling of lucky gold accessories in Che Kung Temple, Shatin during the Lunar New Year
- Introduced new products and key items in festivals including Labour Day, Mother’s Day, National Day, Christmas, Lunar New Year and St. Valentine’s Day, stimulating consumers’ demand through publicity programmes in order to achieve better sales results
- 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
- Enhanced the advertising impact by strategically placed outdoor advertisement at the back of buses of different routes throughout Hong Kong
- Actively explored online promotion channels by banner advertisement, advertorial write-up, online games and social platform
- Placed lightbox advertisement at MTR and bus-stops in major cities of the PRC
- Launched “Lukfook Jewellery – Jewellery Gold Price Express” iPhone App, allowing customers to keep track of up-to-date jewellery gold price anywhere at anytime
- Landing “Taobao Mall”, an online shopping portal well-known in China by establishing a “Lukfook Jewellery Official Flagship Store”
- Established the Gold Price Index and placed online advertisement & advertorial write-up on the wedding portal “wedding.esdlife.com”
- Set up a “Lukfook Jewellery Official Microblog” on sina.com and QQ.com as its online platform for promoting corporate culture, company’s move, product recommendations, and promotional message of the Group
- Broadcasted Jewellery Gold Price information in all branches of China Travel Service, Home Return Permit Service Centres and Bank of China Credit Card Centres in Hong Kong
- Sponsored Mr. Raymond Lam’s first Mandarin album “First”, “Come 2 Me Raymond Lam Live Concert in Guangzhou” and “Come 2 Vancouver Live Mini Concert 2010”

- Sponsored a “Ming Chee Sing Chinese Opera Show” exclusively for Lukfook Jewellery’s customers
- Sponsored the “2010 Summer Pop – Live in HK” concert held by Hong Kong Tourism Board and Ms. Rosanne Lui’s “Rosanne Lui in Concert 2010” held at Hong Kong Coliseum
- Sponsored Big 4’s concert “The Big Four World Tour 2010 – Guangzhou”
- Being the exclusive jewellery sponsor of “Countdown Concert by Shenzhen Satellite TV”
- Sponsored “Southern District Tourism and Culture Festival 2010-2011” activities
- Sponsored the prizes and souvenirs for “The Bun Carnival 2010” annually held in Cheung Chau
- Collaborated with various banks including HSBC, Citibank, Wing Lung Bank, Ping An Bank and China UnionPay, etc.
- Carried out different joint promotion projects with renowned brands including De Monte, Luxembourg, McDonald’s, Nestlé, P&G, Shiseido, Watsons, etc
- Made donation to support “Tung Wah Charity Show 2010”

## **Brand Management**

The Group strongly believes the sales performance and customers’ purchasing confidence are highly related to brand reputation. Therefore, through continuous brand building efforts, we aim to convey a consistent and reliable brand image to customers and enhance our brand popularity in the markets.

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:

- “Green Medalist” in “Hang Seng Pearl River Delta Environmental Awards 2009/10”
- “PRC Consumers’ Most Favorable Hong Kong Brands 2010 – Gold Prize” for 5 consecutive years
- “The Most Outstanding Brand in Greater China 2010” from East Week Magazine
- Obtained “Caring Company” logo from the Hong Kong Council of Social Services for 5 consecutive years
- “Hong Kong Service Award 2010 – Quality Living Category” from East Week Magazine
- TV Commercial “Love is Beauty” was voted as “The Ten Most Popular TV Commercials” in “The 15th Annual Most Popular TV Commercial Awards” organized by aTV
- “Bronze Award in Manufacturing Sector” in “The Hong Kong Outstanding Corporate Citizenship Award” hosted by the Hong Kong Productivity Council

- “Bronze Award in Counter Service Sector” in “Customer Service Excellence Award” hosted by Hong Kong Association for Customer Services Excellence
- The first runner-up in “Ordering Oxfam Rice (Organization Category)” in “Oxfam Rice Sale 2010”
- “Outstanding Corporate Image Award 2010” from TVB Weekly Magazine
- “Good Design & Quality Jewellery brand Award” in “Top 10 Favorite HK Retail Merchants 2010” presented by TVS2
- TV commercial “Love is Beauty – Chapter of Friendship” obtained “The Best Social Gender Equality TV Commercial Award” in “Women of Media Award 2010” jointly organized by Lady.163.com and the United Nations Entity for Gender Equality and the Empowerment of Women

### **Production**

In order to further enhance cost effectiveness and production efficiency, the Group adopted a certain degree of vertical integration and established its own jewellery processing plant. Since 2003, the Group has invested approximately RMB100,000,000 to set up a large-scale jewellery processing plant in Panyu, Guangdong, the PRC, with a total site area of over 350,000 square feet. The construction of the jewellery processing plant phase II in which the Group invested approximately HK\$22,000,000 has commenced and is expected to operate in October 2012. The total production capacity will be doubled upon 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 worldwide, but also an additional promotion and distribution channel for the Group.

The portal is regarded as a long-term strategy to penetrate into the PRC as well as global market. It paves the way for exploring jewellery markets all over the world. The Group considers that every Internet user is their prospective customer; and jewelers will view product samples and order jewellery more frequently through the website. In addition to streamlining the operation procedures for jewelers, it will also enhance business potential for the Group.

### **Design**

The Group is well-known for its stylish designs of jewellery products. With our outstanding and award-winning design teams, the Group has made over 20,000 designs for customers’ selections. Those creative, attractive and fashionable new products were well received by the markets all these years. On top of that, the team is sensitive towards consumers’ choices and the ever-changing trends. Their expertise ensures that the Group is able to launch timely products that suit the market.



Besides, 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:

- Three Merit Awards in “The 12th Hong Kong Jewellery Design Competition”
- Four Certificates of Merit in “The 8th International South Sea Pearl Jewellery Design Competition”

### **Quality Assurance**

The Group is committed to maintain the highest quality 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 coloured 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.

### **Corporate Social Responsibility**

The Group shoulders corporate social responsibility and incorporate it into its operation strategies and management measures, contributing to the community while developing the Group’s business. During the year, the Group attained “The Hong Kong Outstanding Corporate Citizenship Award – Bronze Award in Manufacturing Sector” for its long term contribution in charity work and sustainable development. The Group shall continue to support charity activities and encourage its staff to serve and care for the community.

### **OUTLOOK**

Looking ahead, the Group shall continue to focus on developing the vast PRC market, the world’s second largest consumer market for luxury goods with the fastest growth rate in luxury consumption in 2010, according to the World Luxury Association. To strive for stronger presence in the PRC, we shall continue to foster market penetration by actively establishing both licensee shops and self-operated shops in this growing market. The Group holds an optimistic view towards the jewellery market in the PRC given the vibrant PRC economy and the huge purchasing power of its residents.

In view of the increasing number of the PRC tourists visiting Hong Kong and Macau, we are confident of further solid growth in the Hong Kong and Macau operations and determined to enhance our presence in more tourist hot spots. Moreover, we will seize network expansion opportunities to reach out to more overseas market as well. As for brand management, we will reinforce brand building efforts by sponsoring a wide range of marketing and promotion activities and endeavors to provide high quality jewellery to enhance Lukfook’s brand recognition.

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

The Group's core business is gold and jewellery retailing. As at 31st March 2011, the Group's cash on hand reached approximately HK\$966 million (2010: HK\$287 million). The Group's bank borrowings-to-equity ratio at the year-end, being the proportion of total bank borrowings of approximately HK\$NIL (2010: HK\$314 million) against total shareholders' equity of approximately HK\$3,424 million (2010 restated: HK\$1,661 million), was NIL (2010: 18.9%).

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\$101 million (2010: HK\$315 million), including the costs of properties, leasehold land, leasehold improvement, furniture, fixture and equipment.

### **Capital Commitments**

As at 31st March 2011, the Group had total capital commitments in respect of acquisition of property, plant and equipment of approximately HK\$75 million (2010: HK\$7 million).

### **Contingent Liabilities**

The Group did not have any significant contingent liabilities at 31st March 2011 and 31st March 2010.

### **Employment, Training, Development and Recruitment Remuneration Policy**

As at 31st March 2011, the number of employees of the Group was approximately 3,366 (2010: 3,053). 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 FOR THE FINAL DIVIDEND**

The Register of Members of the Company will be closed from 2nd September 2011 to 7th September 2011, 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 1st September 2011.

## **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 2010, the audit committee has held several meetings to consider matters including the 2010 annual report of the Company, internal controls, the unaudited interim condensed consolidated financial information for the six months ended 30th September 2010, the 2011 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 2011. The figures in respect of the preliminary announcement of the Group's results for the year ended 31st March 2011 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 November 2010, the Remuneration Committee held two meetings to review the policies for determining annual salary increments for the calendar year 2011, to approve the payment of the discretionary year end bonus for 2010 and an incentive bonus scheme 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 2011.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

The Company has not redeemed any of its shares during the year. Save as disclosed in note 10 to this annual results announcement, 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](http://www.hkex.com.hk) under "Latest Listed Companies Information" and the Company at [www.lukfook.com.hk](http://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 2011 will be dispatched to the shareholders on 29th July 2011 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*

28th June 2011