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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 : 0590

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2014

HIGHLIGHTS

- Both revenue of HK\$19.2 billion and profit attributable to equity holders of HK\$1,865 million reached record high.
- A final dividend of HK\$0.638 per share was declared, with full year dividend of HK\$1.268 per share, another record high.
- The largest Lukfook flagship store worldwide and the first Lukfook flagship store in Mainland China opened in Macau and Wuhan respectively, marking a milestone in flagship establishment.
- Acquisition of 50% interest in China Gold Silver Group Company Limited[#], kicking off the Group's dual brand strategy.

FINANCIAL PERFORMANCE

	2014 HK\$'000	2013 HK\$'000 (Restated) Note 2(a)	Y-o-Y Change
Revenue	19,214,930	13,411,691	43.3%
Gross Profit	4,214,154	2,830,031	48.9%
Operating Profit	2,308,755	1,501,342	53.8%
Profit for the year	1,867,274	1,246,410	49.8%
Profit Attributable to Equity Holders	1,864,928	1,242,951	50.0%
Basic Earnings per Share	HK\$3.17	HK\$2.11	50.0%
Final Dividend per Share	HK\$0.638	HK\$0.48	32.9%
Annual Dividend per Share	HK\$1.268	HK\$0.86	47.4%
Dividend Payout Ratio	40.1%	40.8%	(0.7p.p.)
Gross Profit Margin	21.9%	21.1%	0.8p.p.
Operating Margin	12.0%	11.2%	0.8p.p.
Net Margin	9.7%	9.3%	0.4p.p.
EBITDA	2,432,445	1,600,291	52.0%
EBITDA Margin	12.7%	11.9%	0.8p.p.
Total Operating Expenses			
Percentage to Revenue	10.8%	10.8%	—
Effective Tax Rate	19.5%	17.3%	2.2p.p.

[#] A wholly-owned subsidiary of Hong Kong Resources Holdings Company Limited engaged in retailing and franchising operations of gold and jewellery products in Hong Kong, Macau and Mainland China under the brandname "3D-GOLD".

The board of directors (the “Board”) of Luk Fook Holdings (International) Limited (the “Company”) is pleased to present the consolidated annual results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2014 together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2014

	<i>Note</i>	2014 HK\$'000	2013 HK\$'000 (Restated) <i>Note 2(a)</i>
Revenue	3	19,214,930	13,411,691
Cost of sales	4	(15,000,776)	(10,581,660)
Gross profit		4,214,154	2,830,031
Other income		107,510	106,507
Selling and distribution costs	4	(1,923,385)	(1,323,592)
Administrative expenses	4	(150,841)	(124,760)
Other gains, net	5	61,317	13,156
Operating profit		2,308,755	1,501,342
Finance income		15,167	6,741
Finance costs		(2,844)	(311)
Finance income, net		12,323	6,430
Share of results of an associate		(259)	(1,020)
Profit before income tax		2,320,819	1,506,752
Income tax expenses	6	(453,545)	(260,342)
Profit for the year		1,867,274	1,246,410
Profit attributable to:			
Equity holders of the Company		1,864,928	1,242,951
Non-controlling interests		2,346	3,459
		1,867,274	1,246,410
Earnings per share for profit attributable to equity holders of the Company during the year	7		
Basic		HK\$3.17	HK\$2.11
Diluted		HK\$3.17	HK\$2.11

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2014

	2014 HK\$'000	2013 HK\$'000 (Restated) Note 2(a)
Profit for the year	<u>1,867,274</u>	<u>1,246,410</u>
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurements of employee benefit obligations	6,711	22,846
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(6,949)	41,232
Revaluation of available-for-sale financial assets	<u>5,400</u>	<u>—</u>
Other comprehensive income for the year, net of tax	<u>5,162</u>	<u>64,078</u>
Total comprehensive income for the year	<u>1,872,436</u>	<u>1,310,488</u>
Attributable to:		
– Equity holders of the Company	1,866,895	1,306,401
– Non-controlling interests	<u>5,541</u>	<u>4,087</u>
Total comprehensive income for the year	<u>1,872,436</u>	<u>1,310,488</u>

CONSOLIDATED BALANCE SHEET

As at 31 March 2014

		As at 31 March	
		2014	2013
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		566,321	516,172
Land use rights		182,576	188,717
Investment properties		45,926	32,303
Interests in an associate		7,046	7,303
Available-for-sale financial assets		13,500	–
Trading licence		1,080	1,080
Rental deposits and prepayments		189,933	100,309
Deferred income tax assets		34,211	30,041
		<u>1,040,593</u>	<u>875,925</u>
Current assets			
Inventories		6,225,280	4,955,374
Trade receivables	9	225,938	316,629
Deposits, prepayments and other receivables		274,880	197,745
Derivative financial instruments		14,528	–
Amount due from an associate		–	4,068
Income tax recoverable		–	25,326
Cash and bank balances		1,804,937	1,186,808
		<u>8,545,563</u>	<u>6,685,950</u>
Total assets		<u>9,586,156</u>	<u>7,561,875</u>
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	10	58,910	58,910
Share premium	10	2,522,983	2,522,983
Reserves		4,683,025	3,560,083
Proposed dividends		375,851	282,772
		<u>7,640,769</u>	<u>6,424,748</u>
Non-controlling interests		<u>58,386</u>	<u>52,845</u>
Total equity		<u>7,699,155</u>	<u>6,477,593</u>

		As at 31 March	
		2014	2013
	<i>Note</i>	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		54,793	42,428
Employee benefit obligations		34,517	37,914
		<u>89,310</u>	<u>80,342</u>
Current liabilities			
Trade payables, other payables and accruals	<i>11</i>	979,123	938,404
Amount due to an associate		1,771	–
Bank borrowings		568,000	–
Current income tax liabilities		248,797	65,536
		<u>1,797,691</u>	<u>1,003,940</u>
Total liabilities		<u>1,887,001</u>	<u>1,084,282</u>
Total equity and liabilities		<u>9,586,156</u>	<u>7,561,875</u>
Net current assets		<u>6,747,872</u>	<u>5,682,010</u>
Total assets less current liabilities		<u>7,788,465</u>	<u>6,557,935</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Luk Fook Holdings (International) Limited (the “Company”) was incorporated in Bermuda on 3 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 (together, the “Group”) are principally engaged in the sourcing, designing, wholesaling, trademark licensing and retailing of a variety of platinum and gold jewellery, gold ornaments and gem-set jewellery.

The Company’s shares were listed in the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 6 May 1997.

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 carried 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) New standards and amendments to existing standards that are effective for the first time for the financial year beginning 1 April 2013 and are relevant to the Group’s operations:

HKAS 1 (Amendment)	Financial statement presentation
HKAS 19 (2011)	Employee benefits
HKAS 27 (2011)	Separate financial statements
HKAS 28 (2011)	Investments in associates and joint ventures
HKFRS 1 (Amendment)	Government loans
HKFRS 7 (Amendment)	Financial instruments: Disclosures – offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosures of interests in other entities
HKFRS 10, 11 and 12 (Amendments)	Consolidated financial statements, joint arrangements and disclosures of interests in other entities: transition guidance
HKFRS 13	Fair value measurement
Annual improvement project (2011)	Improvements to HKFRSs published in June 2012

Except as described below, the application of the above new standards and the amendments in the current year has had no material effect on the amounts reported or disclosed in these consolidated financial statements.

HKFRS 10 Consolidated financial statements

Under HKFRS 10, subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The adoption of this standard has had no impact on the consolidated financial statements as all subsidiaries already recognised within the Group satisfy the requirements of control under HKFRS 10 and there are no new subsidiaries identified under the new guidance.

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance under HKFRS for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRS when fair value is required or permitted. The application of HKFRS 13 has not materially impacted the fair value measurements carried out by the Group. HKFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7 Financial instruments: disclosures. Some of these disclosures are specifically required in financial statements for financial instruments.

HKAS 1 (Amendment) Presentation of financial statements

The amendments to HKAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The adoption of these amendments only affects presentation and has had no material financial impact on these consolidated financial statements.

HKAS 19 (2011) Employee benefits

HKAS 19 (2011) amends the accounting for employment benefits. The Group has applied the standard retrospectively in accordance with the transition provisions of the standard.

There is a new term “remeasurements”. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. They are recognised in other comprehensive income and not recycled to the consolidated income statement. The “corridor” method and the option to spread or recognise immediately in the income statement are no longer available. The standard also requires the entity to present all actuarial gains and losses previously recognised in profit and loss account in other comprehensive income.

The effects of the adoption of HKAS 19 (2011) on the consolidated income statement are as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Increase in selling and distribution costs	3,825	13,025
Increase in administrative expenses	2,886	9,821
	<hr/>	<hr/>
Decrease in profit for the year	6,711	22,846
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
Equity holders of the Company	6,711	22,846
Non-controlling interests	–	–

The effects of the adoption of HKAS 19 (2011) on the consolidated statement of comprehensive income are as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Increase in remeasurements of employee benefit obligations	6,711	22,846
	<hr/> <hr/>	<hr/> <hr/>

The change in accounting policy has had no effect on the consolidated balance sheet and consolidated statement of cash flows and immaterial effect on the earnings per share.

- (b) The following new standards and amendments to existing standards relevant to the Group have been issued but are not effective for the financial year beginning 1 April 2013 and have not been early adopted.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment entities ⁽¹⁾
HKAS 19 (2011) (Amendment)	Defined benefit plans: Employee contribution ⁽²⁾
HKAS 32 (Amendment)	Offsetting financial assets and financial liabilities ⁽¹⁾
HKAS 36 (Amendment)	Recoverable amount disclosure for non-financial assets ⁽¹⁾
HKAS 39 (Amendment)	Novation of derivatives and continuation of hedge accounting ⁽¹⁾
HK(IFRIC) – Int 21	Levies ⁽¹⁾
HKFRS 9	Financial instruments ⁽⁴⁾
HKFRS 14	Regulatory deferral accounts ⁽³⁾
HKFRSs (Amendments)	Improvements to HKFRSs 2010 – 2012 Cycles ⁽²⁾
HKFRSs (Amendments)	Improvements to HKFRSs 2011 – 2013 Cycles ⁽²⁾

- (1) Effective for the Group for annual period beginning on 1 April 2014
- (2) Effective for the Group for annual period beginning on 1 April 2015
- (3) Effective for the Group for annual period beginning on 1 April 2016
- (4) The effective date has not yet been determined

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3 SEGMENT INFORMATION

The chief operating decision-makers (“CODM”) has been identified as the executive directors and senior management collectively. The CODM reviews the Group’s internal reporting in order to assess performance and allocate resources. The operating segments are reported in accordance with the internal reporting reviewed by the CODM.

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 — Mainland China
- iii. Wholesaling — Hong Kong
- iv. Wholesaling — Mainland China
- v. 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 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, assets and liabilities, reported to the CODM is measured in a manner consistent with that in the consolidated income statement and balance sheet.

Year ended 31 March 2014

	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – Mainland China <i>HK\$'000</i>	Wholesaling – Hong Kong <i>HK\$'000</i>	Wholesaling – Mainland China <i>HK\$'000</i>	Licensing <i>HK\$'000</i>	Inter- segment elimination <i>HK\$'000</i>	Reportable segments Total <i>HK\$'000</i>
Revenue							
Sales to external customers	14,513,900	1,649,783	64,612	1,958,656	–	–	18,186,951
Sales of scrap gold and platinum and gold bullion	–	–	409,648	–	–	–	409,648
	<u>14,513,900</u>	<u>1,649,783</u>	<u>474,260</u>	<u>1,958,656</u>	<u>–</u>	<u>–</u>	<u>18,596,599</u>
Inter-segment sales	78,004	23,732	11,182,264	144,416	–	(11,428,416)	–
Sales of merchandises	14,591,904	1,673,515	11,656,524	2,103,072	–	(11,428,416)	18,596,599
Royalty and service income	–	–	–	–	584,434	–	584,434
Consultancy fee income	–	–	–	–	33,897	–	33,897
Total	<u>14,591,904</u>	<u>1,673,515</u>	<u>11,656,524</u>	<u>2,103,072</u>	<u>618,331</u>	<u>(11,428,416)</u>	<u>19,214,930</u>
Results of reportable segments	<u>1,660,138</u>	<u>38,973</u>	<u>159,756</u>	<u>172,690</u>	<u>413,266</u>	<u>–</u>	<u>2,444,823</u>
A reconciliation of results of reportable segments to profit for the year is as follows:							
Results of reportable segments							2,444,823
Unallocated income							50,059
Unallocated expenses							(186,127)
Operating profit							2,308,755
Finance income							15,167
Finance costs							(2,844)
Share of results of an associate							(259)
Profit before income tax							2,320,819
Income tax expenses							(453,545)
Profit for the year							1,867,274
Non-controlling interests							(2,346)
Profit attributable to equity holders of the Company							<u>1,864,928</u>

Year ended 31 March 2014

	Retailing -		Wholesaling -		Inter- segment elimination	Reportable segments Total	Unallocated	Total	
	Hong Kong, Macau and overseas	Retailing - Mainland China	Wholesaling - Hong Kong	Mainland China					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000					
Depreciation of property, plant and equipment	(57,052)	(19,658)	(1,965)	(11,846)	(6,101)	-	(96,622)	(18,982)	(115,604)
Amortisation of land use rights	-	-	-	(467)	(6,653)	-	(7,120)	(13)	(7,133)
Depreciation of investment properties	-	-	-	-	-	-	-	(1,212)	(1,212)
Addition of non-current assets	102,951	22,830	13,979	30,939	73,914	-	244,613	13,299	257,912

As at 31 March 2014

	Retailing -		Wholesaling -		Inter- segment elimination	Reportable segments Total	Unallocated	Total	
	Hong Kong, Macau and overseas	Retailing - Mainland China	Wholesaling - Hong Kong	Mainland China					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000					
Segment assets	5,337,181	1,261,126	596,284	1,299,091	487,143	(730,514)	8,250,311		8,250,311
Interests in an associate							7,046		7,046
Land and buildings							225,710		225,710
Investment properties							45,926		45,926
Deferred income tax assets							34,211		34,211
Other unallocated assets							1,022,952		1,022,952
Total assets									9,586,156
Segment liabilities	(384,139)	(20,121)	(818,935)	(138,116)	(247,880)	730,514	(878,677)		(878,677)
Deferred income tax liabilities							(54,793)		(54,793)
Current income tax liabilities							(248,797)		(248,797)
Bank borrowings							(568,000)		(568,000)
Other unallocated liabilities							(136,734)		(136,734)
Total liabilities									(1,887,001)

Year ended 31 March 2013

	Retailing – Hong Kong, Macau and overseas HK\$'000	Retailing – Mainland China HK\$'000	Wholesaling – Hong Kong HK\$'000	Wholesaling – Mainland China HK\$'000	Licensing HK\$'000	Inter- segment elimination HK\$'000	Reportable segments Total HK\$'000
Revenue							
Sales to external customers	9,919,565	1,013,876	74,618	1,377,203	–	–	12,385,262
Sales of scrap gold and platinum and gold bullion	–	–	575,926	–	–	–	575,926
	<u>9,919,565</u>	<u>1,013,876</u>	<u>650,544</u>	<u>1,377,203</u>	<u>–</u>	<u>–</u>	<u>12,961,188</u>
Inter-segment sales	338,183	60,434	6,806,576	255,452	–	(7,460,645)	–
Sales of merchandises	10,257,748	1,074,310	7,457,120	1,632,655	–	(7,460,645)	12,961,188
Royalty and service income	–	–	–	–	421,635	–	421,635
Consultancy fee income	–	–	–	–	28,868	–	28,868
Total	<u><u>10,257,748</u></u>	<u><u>1,074,310</u></u>	<u><u>7,457,120</u></u>	<u><u>1,632,655</u></u>	<u><u>450,503</u></u>	<u><u>(7,460,645)</u></u>	<u><u>13,411,691</u></u>
Results of reportable segments, as restated	<u><u>1,005,112</u></u>	<u><u>65,570</u></u>	<u><u>119,449</u></u>	<u><u>80,435</u></u>	<u><u>287,438</u></u>	<u><u>–</u></u>	<u><u>1,558,004</u></u>
A reconciliation of results of reportable segments to profit for the year is as follows:							
Results of reportable segments, as restated							1,558,004
Unallocated income							48,856
Unallocated expenses, as restated							(105,518)
Operating profit, as restated							1,501,342
Finance income							6,741
Finance costs							(311)
Share of results of an associate							(1,020)
Profit before income tax, as restated							1,506,752
Income tax expenses							(260,342)
Profit for the year, as restated							1,246,410
Non-controlling interests							(3,459)
Profit attributable to equity holders of the Company, as restated							<u><u>1,242,951</u></u>

Year ended 31 March 2013

	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – Mainland China <i>HK\$'000</i>	Wholesaling – Hong Kong <i>HK\$'000</i>	Wholesaling – Mainland China <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	(38,738)	(20,315)	(1,214)	(9,469)	(5,666)	–	(75,402)	(16,890)	(92,292)
Amortisation of land use rights	–	–	–	(484)	(5,596)	–	(6,080)	(13)	(6,093)
Depreciation of investment properties	–	–	–	–	(160)	–	(160)	(1,424)	(1,584)
Addition of non-current assets	61,404	25,519	1,319	26,608	168,226	–	283,076	23,963	307,039

As at 31 March 2013

	Retailing – Hong Kong, Macau and overseas <i>HK\$'000</i>	Retailing – Mainland China <i>HK\$'000</i>	Wholesaling – Hong Kong <i>HK\$'000</i>	Wholesaling – Mainland China <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	3,864,219	1,240,816	677,841	1,268,028	356,876	(510,011)	6,897,769		6,897,769
Interests in an associate								7,303	7,303
Land and buildings								210,277	210,277
Investment properties								32,303	32,303
Deferred income tax assets								30,041	30,041
Other unallocated assets								384,182	384,182
Total assets									7,561,875
Segment liabilities	(513,316)	(331,666)	(131,398)	(196,999)	(211,298)	510,011	(874,666)		(874,666)
Deferred income tax liabilities								(42,428)	(42,428)
Current income tax liabilities								(65,536)	(65,536)
Other unallocated liabilities								(101,652)	(101,652)
Total liabilities									(1,084,282)

The Group's revenues are mainly derived from Hong Kong customers, Mainland China visitors to Hong Kong and Macau and Mainland China customers. An analysis of the Group's revenue by location in which the transaction took place is as follows:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Hong Kong	11,957,141	8,715,955
Mainland China	4,226,770	2,841,582
Macau and overseas	3,031,019	1,854,154
	<u>19,214,930</u>	<u>13,411,691</u>

An analysis of the Group's non-current assets (other than deferred income tax assets, available-for-sale financial assets and rental deposits) by location of assets is as follows:

	2014				2013			
	Hong Kong	Mainland China	Macau and overseas	Total	Hong Kong	Mainland China	Macau and overseas	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>
Property, plant and equipment	334,288	197,925	34,108	566,321	326,084	170,335	19,753	516,172
Land use rights	-	182,576	-	182,576	-	188,717	-	188,717
Investment properties	39,124	6,802	-	45,926	25,259	7,044	-	32,303
Interests in an associate	7,046	-	-	7,046	7,303	-	-	7,303
Trading licence	1,080	-	-	1,080	1,080	-	-	1,080
Prepayment for purchase of building and land use right and equipment	-	73,939	-	73,939	-	-	-	-
	<u>381,538</u>	<u>461,242</u>	<u>34,108</u>	<u>876,888</u>	<u>359,726</u>	<u>366,096</u>	<u>19,753</u>	<u>745,575</u>

4 EXPENSES BY NATURE

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (Restated)
Cost of sales		
– cost of inventories sold (<i>Note</i>)	14,807,397	10,431,541
– cost of licensing business (<i>Note</i>)	193,379	150,119
	<u>15,000,776</u>	<u>10,581,660</u>
Staff costs (including the directors' emoluments)	733,873	561,686
Operating lease		
– minimum lease payments	474,440	284,215
– contingent rents	211,773	126,618
Advertising and promotion expenses	86,652	67,353
Commission expenses to credit card companies	168,266	113,402
Depreciation of property, plant and equipment	115,604	92,292
Depreciation of investment properties	1,212	1,584
Amortisation of land use rights	7,133	6,093
Loss on disposal of property, plant and equipment	2,530	1,055
Auditor's remuneration	4,418	4,141
Insurance	12,867	12,280
Packaging materials	23,122	13,267
Repair and maintenance	10,561	8,516
Rate and related expenses	18,871	10,495
Property management fee	27,291	14,727
Electricity	20,192	15,918
Others	155,421	114,710
	<u>17,075,002</u>	<u>12,030,012</u>
Total	<u><u>17,075,002</u></u>	<u><u>12,030,012</u></u>
Representing:		
Cost of sales	15,000,776	10,581,660
Selling and distribution costs	1,923,385	1,323,592
Administrative expenses	150,841	124,760
	<u>17,075,002</u>	<u>12,030,012</u>

Note: Cost of inventories sold and cost of licensing business include staff costs (including the directors emoluments) of HK\$216,148,000 (2013: HK\$166,641,000).

5 OTHER GAINS, NET

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Net realised gains on derivative financial instruments	49,018	7,844
Net unrealised gains on derivative financial instruments	14,528	–
Net exchange (losses)/gains	(2,397)	5,453
Others	168	(141)
	<u>61,317</u>	<u>13,156</u>

6 INCOME TAX EXPENSES

Hong Kong profits tax has been provided for at the rate of 16.5% (2013: 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.

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current taxation:		
– Hong Kong profits tax	192,161	119,160
– overseas taxation	248,307	129,451
– under/(over)-provision in prior years	4,882	(6,604)
Deferred tax	8,195	18,335
	<u>453,545</u>	<u>260,342</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\$1,864,928,000 (2013: HK\$1,242,951,000) and the weighted average number of 589,107,850 (2013: 589,107,850) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 March 2014 and 2013 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years.

8 DIVIDENDS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
2013/14 interim, paid, of HK\$0.63 (2012/13 interim: HK\$0.38) per ordinary share	<u>371,138</u>	<u>223,861</u>
2013/14 final, proposed, of HK\$0.638 (2012/13 final: HK\$0.48) per ordinary share (<i>Note</i>)	<u>375,851</u>	<u>282,772</u>

Note: At a meeting held on 25 June 2014, the directors recommended the payment of a final dividend of HK\$0.638 per ordinary share, totalling HK\$375,851,000. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company on 20 August 2014. 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 31 March 2015.

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 of trade receivables is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0 – 30 days	160,058	230,289
31 – 60 days	38,850	53,255
61 – 90 days	14,295	17,915
91 – 120 days	8,334	8,368
Over 120 days	4,401	6,802
	<u>225,938</u>	<u>316,629</u>

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:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	45,597	87,201
RMB	159,130	213,045
MOP	19,376	15,629
Other currencies	1,835	754
	<u>225,938</u>	<u>316,629</u>

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

As at 31 March 2014, trade receivables of HK\$12,735,000 were past due but not considered impaired (2013: HK\$15,170,000) all of which were aged over 90 days.

10 SHARE CAPITAL AND SHARE PREMIUM

(a) Share capital

	2014		2013	
	<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	<u>800,000,000</u>	<u>80,000</u>	<u>800,000,000</u>	<u>80,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.1 each	<u>589,107,850</u>	<u>58,910</u>	<u>589,107,850</u>	<u>58,910</u>

(b) Share premium

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 March	<u>2,522,983</u>	<u>2,522,983</u>

11 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	337,992	445,530
Deposits from customers and licensees	260,726	213,075
Salaries and welfare payables	191,742	149,775
Other payables	94,209	84,470
Accrued expenses	94,454	45,554
	<hr/>	<hr/>
	979,123	938,404
	<hr/> <hr/>	<hr/> <hr/>

The ageing of trade payables is as follows:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	251,741	309,219
31 – 60 days	73,086	120,948
61 – 90 days	9,336	5,034
91 – 120 days	2,148	10,167
Over 120 days	1,681	162
	<hr/>	<hr/>
	337,992	445,530
	<hr/> <hr/>	<hr/> <hr/>

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

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

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	481,409	412,872
RMB	327,722	377,533
US\$	80,220	104,360
MOP	87,145	41,765
Other currencies	2,627	1,874
	<hr/>	<hr/>
	979,123	938,404
	<hr/> <hr/>	<hr/> <hr/>

12 EVENTS AFTER BALANCE SHEET DATE

On 6 June 2014, the Company completed the acquisition of a 50% shareholding in China Gold Silver Group Company Limited (“CGS”), a wholly-owned subsidiary of Hong Kong Resources Holdings Company Limited (“HKRH”) engaged in retailing and franchising operations of gold and jewellery products in Hong Kong, Macau and Mainland China under the brandname “3D-GOLD” at a consideration of HK\$245 million; additionally, on the same day, the Company subscribed for a convertible bonds of HKRH of approximately HK\$57 million with 3% interest rate per annum and 5 years of maturity from date of issuance; CGS has granted the CGS Share Option at US\$1 to the Company; the Company will provide consultancy services in relation to the operation of business of 3D-GOLD for a period of three years and CGS will pay an annual fee to the Company which charged at 6% of the audited consolidated profit before taxation of CGS and its subsidiaries with a capped amount of HK\$10 million; the Company had made a loan of HK\$100 million to CGS as general working capital and for business expansion of CGS; and the Company will supply raw materials and finished products to CGS at terms mutually agreed between two parties.

FINANCIAL PERFORMANCE

Results

In April and June last year, the international gold price sharply hit recent new lows, triggering gold rushes. The sales volume of gold products increased substantially as a result. Coupled with the utilisation of cross-selling techniques, the sales of gem-set jewellery products also recorded satisfactory growth. In addition, as the gold price remained relatively low after the gold rushes, the subsequent demand for gold continued to grow for quite some time. Despite that the growth of sales for the second half of the year slowed down, the growth of overall sales remained satisfactory. For the year ended 31 March 2014, Luk Fook Holdings (International) Limited and its subsidiaries (collectively referred to as the “Group”) set another record high and recorded revenue of HK\$19,214,930,000 (2013: HK\$13,411,691,000), representing 43.3% growth over that of previous year. Gross profit margin was 21.9%, which was slightly higher than last year’s 21.1%. This was mainly due to the quick turnover of gold products during the year given the decreasing gold price. Accordingly, the gross profit margin of gold products remained at a normal level of 11.9% (2013: 10.3%). Apart from this, the gross profit margin of gem-set jewellery products increased from last year’s 34.3% to 37.4%. Therefore, despite that the sales mix and sales growth of gem-set jewellery products were lower than that of gold products, the overall gross profit margin increased. Furthermore, the growth of sales and gross profit margin led to the increase in the gross profit of gem-set jewellery products, making it the largest contributor to the overall increase in profit. During the year under review, with a stable total operating expenses of 10.8% (2013: 10.8%) to revenue, the operating profit of the Group increased by 53.8% to HK\$2,308,755,000 (2013: HK\$1,501,342,000). Operating margin was 12.0% (2013: 11.2%). The profit attributable to equity holders hit its record high and reached HK\$1,864,928,000 (2013: HK\$1,242,951,000), representing a 50.0% increase. Basic earnings per share were HK\$3.17 (2013: HK\$2.11).

Overview

During the year under review, the Group opened a net total of 186 shops (181 of which are licensed shops) in Mainland China, 8 shops in Hong Kong, 1 shop in Macau and 1 shop in Australia. As at 31 March 2014, the Group had a total of 1,268 shops globally in Mainland China, Hong Kong, Macau, Singapore, the United States, Canada and Australia.

The retail business continued to be the primary sales driver for the Group with an annual growth of 47.8%. This resulted in HK\$16,163,683,000 (2013: HK\$10,933,441,000) of retail revenue, accounting for 84.1% (2013: 81.5%) of total revenue. The wholesale business grew by 20.0% over the previous year to HK\$2,432,916,000 (2013: HK\$2,027,747,000), bringing in 12.7% (2013: 15.1%) of the Group's total revenue. Licensing income accounted for the remaining 3.2% (2013: 3.4%) and amounted to HK\$618,331,000 (2013: HK\$450,503,000), a growth of 37.3%. Gold products remained the favourite items among customers and together with platinum products contributed approximately 67.2% (2013: 62.7%) to the Group's total sales with 53.6% (2013: 14.2%) sales growth while gem-set jewellery products contributed approximately 32.8% (2013: 37.3%) with 26.4% (2013: 10.7%) sales growth. For the year under review, overall Same Store Sales Growth* ("SSSG") of the Group was 24.9% (2013: 7.4%). SSSG for Hong Kong and Macau markets and the Mainland China market were 22.0% (2013: 7.2%) and 45.9% (2013: 7.3%), respectively. SSSG for gold and platinum was 36.0% (2013: 9.8%) and that for gem-set jewellery products was 4.8% (2013: 3.3%).

The Group has been striving to expand its product mix to offer customers with a wider selection of choices. Since 2010, the Group has been endeavouring to expand the mid-to-high-end watch business. As at 31 March 2014, the Group was the authorised dealer carrying 31 watch brands, including BALL and its BALL for BMW series, BULOVA, CERTINA, COINWATCH, CORUM, DOXA, ENICAR, ERNEST BOREL, GRONFELD, H. MOSER & CIE, HAMILTON, LAMBORGHINI, LONGINES, LUDOVIC BALLOUARD, MAURICE LACROIX, MIDO, OMEGA, RADO, TAG HEUER, TISSOT, URWERK, EMILE CHOURIET, HUBLLOT, ARNOLD & SON, ZENITH, ORIS, BALMAIN, BULGARI, EMPORIO ARMANI, BURBERRY, VAN GOGH. For the year under review, the watch business contributed a revenue of HK\$301,176,000 (2013: HK\$236,810,000), representing 1.6% (2013: 1.8%) of the Group's total revenue with 27.2% growth over the last year.

BUSINESS REVIEW

Hong Kong and Macau

Hong Kong remained the key source of profit for the Group, contributing approximately 62.2% (2013: 65.0%) of the Group's total revenue and amounted to HK\$11,957,141,000 (2013: HK\$8,715,955,000). This represented a growth of 37.2%. As at 31 March 2014, the Group operated a total of 45 (2013: 37) self-operated shops in Hong Kong including 8 newly opened shops during the year (5 of which were located in prime locations).

* Same store sales growth represents a comparison of sales of the same self-operated shop having full month operations in the comparable periods and such data does not include sales of licensed shops.

Mainland Chinese visitors continued to be the major driver for the retail business in Hong Kong. According to the statistics on visitor arrivals published by Hong Kong Tourism Board in January 2014, arrivals from Mainland China in 2013 grew by 16.7% over the previous year and reached approximately 40,745,277, setting another historical record high in the number of arrivals from Mainland China for the year and representing nearly five times growth since the launch of the “Individual Visit Scheme” 10 years ago. As mentioned in the Research Brief on “Individual Visit Scheme” released by the Research Office of the Legislative Council Secretariat in May 2014, using the shopping expenditure of “Individual Visit Scheme” visitors as a proxy for their contribution to the value of total retail sales, it is observed that the proportion of shopping expenditure by “Individual Visit Scheme” visitors in the value of total retail sales has been on a steady rise over the past decade, from 4.5% in 2004 (first annual figure available) to 22.2% in 2013. Benefiting from the fast-growing number of arrivals and strong purchasing power, the Group’s total revenue in Hong Kong grew substantially by almost twelve times over these ten years.

Similar to Hong Kong, Macau tourism has also been booming as a result of the “Individual Visit Scheme”. According to the tourism statistics published by the Statistics and Census Service of Macau Special Administrative Region, in 2013, Mainland arrivals reached 18,630,000, representing an increase of 10% over the previous year. Given the steady visitor flow, our world’s largest flagship store had the grand opening at Avenida de Almeida Ribeiro, Macau in June 2013. The Group had a total of 10 (2013: 9) self-operated shops as at the end of March 2014 in Macau. Revenue generated from the Macau market amounted to HK\$2,886,397,000 (2013: HK\$1,751,000,000), representing a spectacular growth rate of 64.8%, and contributing 15.0% (2013: 13.1%) of the Group’s total revenue.

Mainland China

The Group continued to benefit from the continuing economic growth in Mainland China during the year under review. Revenue from Mainland China grew by 48.7% over last year to HK\$4,226,770,000 (2013: HK\$2,841,582,000), accounting for 22.0% (2013: 21.2%) of the Group’s total revenue.

According to the overview of precious metal jewellery market (covering 33 cities in Mainland China) for 2012 published by Platinum Guild International in November 2013, 90% of urban Chinese women own more than one precious metal jewellery piece. Given the accelerated urbanisation of various regions in Mainland China, coupled with the rising per capita disposable income, the demand for gold and gold jewellery as investments or accessories continues to be strong in Mainland China. Accordingly, the Group strove to further penetrate into the Mainland Chinese market and expand its footprint to lower-tier cities in order to increase its brand coverage ratio. In May 2013, the Group opened its first Mainland China flagship store in Wuhan and marked a new milestone in the Group’s network expansion in Mainland China. During the year under review, the Group had 83 self-operated shops (2013: 78 self-operated shops) and 1,125 licensed shops (2013: 944 licensed shops) in Mainland China, adding to a total of 1,208 shops of the Group there (2013: 1,022 shops).

Overseas Development

Adhering to its motto “Brand of Hong Kong, Sparkling the World”, Lukfook has been seeking opportunities all over the world. During the year under review, the Group opened its first self-operated shop in Australia. As at 31 March 2014, the Group operated a total of 5 overseas shops (2013: 4 overseas shops). In addition to the newly opened shop in Australia, there are 1 shop in Singapore, 2 shops in the United States and 1 shop in Canada.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 March 2014, the Group’s cash and cash equivalents reached approximately HK\$1,805 million (2013: HK\$1,187 million). The Group’s gearing ratio at the year-end, being proportion of total bank borrowings of HK\$568 million (2013: HK\$NIL) against total shareholders’ equity of approximately HK\$7,641 million (2013: HK\$6,425 million), was 7.4% (2013: NIL). Net cash was HK\$1,237 million (2013: HK\$1,187 million) and the debt-to-equity ratio was 24.7% (2013: 16.9%).

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\$184 million (2013: HK\$307 million), including the costs of properties, leasehold lands, land use rights, leasehold improvements, furniture, fixtures and equipments.

Capital Commitments

As at 31 March 2014, the Group had total capital commitments approximately HK\$414 million (2013: HK\$17 million).

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 March 2014 and 31 March 2013.

Human Capital Policy

As at 31 March 2014, the number of employees of the Group was approximately 6,600 (2013: 5,400). Remuneration policies were reviewed and approved by the management regularly to ensure fair rewards and compensation for our employees. Remuneration packages were structured to be comparable to the market while bonuses and other merit payments were correlated to the performances of the Group and the employees. Such a reward system aims to motivate employees to act in alignment with the Group’s objective of business performance optimisation by offering financial incentives.

BRANDING

On 6 June 2014, the Group completed the acquisition of 50% interest in the issued share capital of China Gold Silver Group Company Limited, an operating company engaging in jewellery retailing and franchising under the brandname of “3D-GOLD”, and kicked off the dual brand strategy to mark a new page of the Group. Leverage on the Group’s professional expertise in jewellery retailing and brand management, we strongly believe that the cooperation between two renowned brands with similar business models will generate synergies and facilitate the long-term development of both parties. Moreover, it will further expand the economies of scale and thus achieving a win-win outcome.

In addition, in September 2013, leveraging on the Group’s excellent achievements in brand building, the Group won the “Brand of the Year – Retail” of the JNA Awards 2013. In February 2014, the Group also won the “Hong Kong Top Brand Ten Year Achievement Award” at the “2013 Hong Kong Top Brand Awards” jointly organised by the Hong Kong Brand Development Council and the Chinese Manufacturers’ Association of Hong Kong. Such honours and awards not only further strengthen the Group’s leading position in the international jewellery market, but also are testimony to “Lukfook Jewellery” as a brand well-received by customers worldwide.

OUTLOOK

In light of the uncertainties in the macro economic environment in the near term, weak consumption demand, policies in Mainland China and the slowing economy, coupled with the high base effect as a result of the gold rushes last year, the Group remains prudent about the business growth in the coming year.

However, the Group remains optimistic about the mid- to long-term business development given the accelerated urbanisation in Mainland China, rising per capita disposable income of Mainland citizens and the introduction of favourable government policies to promote domestic consumption. These factors are conducive to driving the economic growth of Mainland China and boosting the overall consumer sentiments. Accordingly, in the long run, the growth prospects of the gold and jewellery market remain promising while there is still tremendous growth potential in the Mainland China market, particularly the third-tier and the lower-tier cities. To fully capitalise on such tremendous market potential, the Group plans to continue to expand its retail network in the third-tier and lower-tier cities through licensed shops. In addition, we will also make a strategic move to open flagship stores in prominent cities to strengthen our penetration into the Mainland China market. In the coming years, the Group intends to maintain the growth of new openings (mainly licensed shops) in the Mainland China market of approximately 15% each year and enhance brand image by capitalising on the traditional media and strengthening the advertising and promotion of emerging media.

The Group derives its key source of profit from the retail business in Hong Kong where the visitors from Mainland China are the major driver of business there. The continuous increase in the number of arrivals from Mainland China in the future will depend on the adjustments to the terms of the Individual Visit Scheme between Hong Kong and Mainland China. As the Individual Visit Scheme has far reaching implications on the overall economy and the people's livelihood in Hong Kong, accordingly, the Group hopes that the relevant authorities will make the adjustments prudently in order not to dampen the retail industry materially. In addition, in light of the recent unsatisfactory macro economic conditions which weakened the retail market, the rising rental prices of shops saw a slowdown. Accordingly, the Group will leverage this timing opportunity to optimise the retail network in Hong Kong and seek superior and prime locations to further strengthen our leading position in the market.

According to the statistics in the research report about "O2O and Big Data" published by iResearch, the total turnover of the e-commerce market in China amounted to RMB1,841 billion in 2013. Of which, retail related products accounted for 7.9%. To seize the opportunity, the Group will actively develop its e-commerce business and target to expand the number of its sales platforms from four now including tmall.com to eight platforms so as to drive the speedy growth of e-commerce business.

While strengthening the training of frontline staff on product knowledge, sales techniques and quality of service, the Group will endeavour to enhance the sales and gross profit margin of gem-set jewellery products to mitigate the impact of high base effect due to the remarkable performance for the financial year 2013/14 on the results performance in the coming year.

Looking ahead, given the lack of clear global economic direction, the operating environment in the financial year 2014/15 will be challenging. The substantial decrease in SSSG of 56.4% (2013: positive SSSG of 96.3%) in April and May 2014 is within expectation. Furthermore, when comparing the retail sales amount of April to May in 2014 to the same period in 2012, a double digit growth was recorded while SSSG decreased by 13.1% mainly due to drop in gold price in current period as compared to the same period in 2012. Given that Hong Kong remains a first-class jewellery trading centre within the region, the Group remains optimistic about the demand for gem-set jewellery products from local residents and tourists in the long run and expects improvement in the second half of the financial year 2014/15. Accordingly, the Group will, by adhering to a practical and sound development direction, actively cope with market challenges and seize growth opportunities to enhance our own competitive advantages and strengthen our leading position in the international jewellery retail market.

FINAL DIVIDEND

The Board proposed a final dividend of HK\$0.638 per ordinary share for the year ended 31 March 2014 (2013: HK\$0.48 per share) to shareholders whose names appear on the register of members of the Company on 26 August 2014. Taking into account of the interim dividend payment, the total dividend for the year would amount to HK\$1.268 per ordinary share, totalling HK\$746,989,000 for the year (2013: HK\$0.86 per ordinary share, totalling HK\$506,633,000), representing an increase of approximately 47.4% compared with last year and recorded a record high with a payout ratio of 40.1% (2013: 40.8%). Subject to the approval of the shareholders at the forthcoming annual general meeting (the “AGM”) of the Company to be held on 20 August 2014, the final dividend will be paid on or around 3 September 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company for the AGM will be closed from 18 August 2014 to 20 August 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attendance at the AGM to be held on 20 August 2014, all transfers accompanied by the relevant share certificates must be lodged with the Company’s share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 15 August 2014.

The register of members of the Company for the final dividend will also be closed on 26 August 2014 and no transfer of shares will be registered on that day. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 25 August 2014.

CORPORATE GOVERNANCE

The Board and management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code and Corporate Governance Report (the “Corporate Governance Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31 March 2014 (the “Annual Period”), except for the following deviation:

Code Provision A.2.1 of the Corporate Governance Code as contained in Appendix 14 to the Listing Rules provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual, so that there is a clear division of responsibilities for the management of the Board and the day-to-day management of the Group's business to ensure a balance of power and authority.

In view of the increasing trend of business deriving from the Mainland China market, it is believed that Mr. WONG Wai Sheung being the Chairman and Chief Executive of the Company will further enhance the business development of the Group in the Mainland China market due to the norms in the Mainland China market on "status parity" when future business negotiations are conducted in Mainland China. Besides, members of the Board also include qualified professionals and other prominent and experienced individuals from our community. The Board considers that the existing Board composition, with the support of Board Committees and two Deputy Chairmen, can ensure a balance of power and authority.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as a code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, it is confirmed that all directors have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions during the Annual Period.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Annual Period.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the financial statements of the Company for the year ended 31 March 2014. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2014 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT 2014

This annual results announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited (the “HKEx”) (www.hkexnews.hk) and the Company (lukfook.com). The Annual Report 2014 will be despatched to the shareholders of the Company and will be published on the websites of the HKEx and the Company in due course.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to all our staff members, shareholders, customers, business partners and other stakeholders for their strong support and contributions to the Group’s success. Moving forward, the Group will continue to implement practical and sound growth measures, strengthen its competitive advantages and further consolidate its leading position in the market with a view to generating sustainable returns for our shareholders and establishing a new benchmark for corporate excellence.

By Order of the Board
Luk Fook Holdings (International) Limited
WONG Wai Sheung
Chairman and Chief Executive

Hong Kong, 25 June 2014

As at the date of this announcement, the Company’s Executive Directors are Mr. WONG Wai Sheung (Chairman and Chief Executive), Mr. TSE Moon Chuen (Deputy Chairman), Ms. WONG Lan Sze, Nancy, Ms. WONG Hau Yeung and Ms. CHUNG Vai Ping; the Non-executive Directors are Mr. WONG Ho Lung, Danny (Deputy Chairman), Ms. YEUNG Po Ling, Pauline, Mr. HUI Chiu Chung, JP and Mr. LI Hon Hung, MH, JP; the Independent Non-executive Directors are Mr. TAI Kwok Leung, Alexander, Mr. IP Shu Kwan, Stephen, GBS, JP, Mr. FOK Kwong Man, Mr. MAK Wing Sum, Alvin and Ms. WONG Yu Pok, Marina, JP.