



LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 590)

website: www.lukfook.com.hk www.infocast.com.hk/listco/lukfook

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH 2006

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 2006 together with comparative figures for the corresponding period in 2005 as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH 2006

	Note	2006 HK\$'000	2005 HK\$'000 (Restated) (Note 2)
Turnover	3	2,126,297	1,961,720
Cost of sales		(1,663,447)	(1,545,748)
Gross profit		462,850	415,972
Other income		26,201	23,080
Selling and distribution costs		(332,311)	(274,067)
Administrative expenses		(39,243)	(33,927)
Other operating expenses		(3,768)	(3,977)
Gain on disposal of properties		-	25,449
Operating profit	4	113,729	152,530
Finance costs		(1,309)	(425)
Profit before taxation		112,420	152,105
Taxation	5	(15,891)	(25,146)
Profit for the year		96,529	126,959
Profit attributable to:			
Equity holders of the Company		95,695	125,795
Minority interests		834	1,164
		96,529	126,959
Earnings per share for profit attributable to the equity holders of the Company	6		
Basic		HK19.7 cents	HK26.1 cents
Diluted		HK19.5 cents	HK25.8 cents
Dividends		48,794	58,254

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2006

	Note	2006 HK\$'000	2005 HK\$'000 (Restated) (Note 2)
ASSETS			
Non-current assets			
Property, plant and equipment		105,107	85,972
Leasehold land and land use rights		12,835	14,309
Other investments		-	2,147
Available-for-sale financial asset		-	-
Trading license		1,080	-
Prepaid rental deposits		19,575	15,690
Deferred tax assets		6,257	6,380
		144,854	124,498
Current assets			
Inventories		611,986	544,828
Trade receivables	7	12,144	15,206
Deposits, prepayments and other receivables		20,369	16,146
Non-current asset held for sale		850	-
Bank balances and cash		108,738	131,406
		754,087	707,586
Total assets		898,941	832,084
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		48,794	48,544
Reserves		201,266	192,633
Retained earnings			
- Proposed dividends		34,156	38,836
- Others		430,948	384,047
		715,164	664,060
Minority interests		13,028	9,249
Total equity		728,192	673,309
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		623	1,945
Current liabilities			
Trade and other payables	8	161,641	121,493
Taxation payable		8,485	13,917
Short-term bank loan, unsecured		-	21,420
		170,126	156,830
Total equity and liabilities		898,941	832,084
Net current assets		583,961	550,756
Total assets less current liabilities		728,815	675,254

NOTES:

1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), including Hong Kong Accounting Standards ("HKAS") and Interpretations. These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss (if any), which are stated at fair value.

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 Company's accounting policies.

2 Changes in accounting policies

(a) Effect of adopting new/revised HKFRSs

In 2005/06, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004/05 comparatives have been restated, where necessary, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS Int 15	Operating Leases – Incentives
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations

The adoption of HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 33, 36, 37, 38, HKAS-Int 15, HKFRS 3 and HKFRS 5 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interest and other disclosures.
- HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 23, 27, 33, 36, 37, 38, HKAS-Int 15, HKFRS 3 and HKFRS 5 had no material effect on the Group's policies.
- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance in the revised standard.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

Adoption of HKAS 17

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is immediately expensed in the income statement. In prior years, the leasehold land and land use rights were accounted for at valuation/cost less accumulated depreciation and accumulated impairment.

The adoption of HKAS 17 resulted in a decrease in opening reserves at 1st April 2004 by HK\$1,796,000.

	As at 31st March 2006 HK\$'000	As at 31st March 2005 HK\$'000
Decrease in property, plant and equipment	(12,835)	(14,309)
Increase in leasehold land and land use rights	12,835	14,309
Decrease in revaluation reserve	-	(6,956)
	For the year ended	For the year ended
	31st March 2006	31st March 2005
	HK\$'000	HK\$'000
Decrease/(increase) in selling and distribution costs	333	(193)
Increase/(decrease) in basic earnings per share	HK0.07 cents	HK(0.04) cents
Increase/(decrease) in diluted earnings per share	HK0.07 cents	HK(0.04) cents

Adoption of HKAS 32 and HKAS 39

The adoption of HKAS 32 and HKAS 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit and loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

The adoption of HKAS 32 and HKAS 39 has no effect on opening reserves at 1st April 2005 and the details of the adjustments to the balance sheet at 31st March 2006 are as follows:

	As at 31st March 2006 HK\$'000	As at 31st March 2005 HK\$'000
Increase in available-for-sale financial asset	1,042	-
Decrease in other investment	(1,042)	-

Adoption of HKFRS 2

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payment. Until 31st December 2004, the provision of share options to employees did not result in a charge to the income statement. Effective 1st January 2005, the Group expensed the cost of share options in the income statement. As a transitional provision, the cost of share options granted after 7th November 2002 which had not yet vested on 1st January 2005, if any, was expensed retrospectively in the income statement of the respective periods. The adoption of HKFRS 2 has no impact on the Group's profit and loss and opening reserves.

All relevant changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

- HKAS 39 – recognises all derivatives at fair value in the balance sheet on 1st April 2005 and adjusts the balance to retained earnings as at that date;
- HKAS-Int 15 – does not require the recognition of incentives for leases commencing before 1st January 2005;
- HKFRS 3 – prospectively after the adoption date.



LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 590)

website: www.lukfook.com.hk

www.infocast.com.hk/listco/lukfook

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 25/F., BEA Tower, Millennium City 5, 418 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong on 24th August, 2006 (Thursday) at 11:30 a.m. for the following purposes:

1. To receive and consider the Audited Consolidated Accounts and the Reports of the Directors and Auditors for the year ended 31st March 2006.

2. To declare the final dividend for the year ended 31st March 2006.

3. To re-elect the retiring Directors, to authorise the Board to fix the remuneration of Directors and to appoint additional Directors.

4. To re-appoint Auditors and to authorise the Board to fix their remuneration.

5. As special business, to consider and, if thought fit, to pass with or without modifications the following resolution as an ordinary resolution:

“THAT:

(a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and it is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to a Rights Issue (as defined in paragraph (d) below) or pursuant to an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to executives and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company or any script dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company, shall not exceed 20% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution and the said approval to the Directors in paragraph (a) above shall be limited accordingly; and

(d) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; or

(iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to the shareholders on the register of shareholders of the Company on a fixed record date in proportion to their shareholdings as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company).”

6. As special business, to consider and, if thought fit, to pass with or without modifications the following resolution as an ordinary resolution:

“THAT:

(a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as defined in paragraph (c) below) of all the powers of the Company to repurchase its own shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which the securities of the Company may be listed and recognized by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and it is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of share capital repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution and the said approval to the Directors of the Company in paragraph (a) above shall be limited accordingly; and

(c) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; or

(iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting.”

7. As special business, to consider and, if thought fit, to pass with or without modifications the following resolution as an ordinary resolution:

“THAT conditional upon Resolutions Nos. 5 and 6 above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors of the Company as mentioned in Resolution No. 6 above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to Resolution No. 5 above, provided that the amount of share capital repurchased by the Company shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution.”

8. As special business, to consider and, if thought fit, to pass the following resolution as a special resolution:

“THAT the existing Bye-laws of the Company be and are hereby amended in the following manner, namely:

(A) Bye-law 70

THAT the full stop “.” at the end of clause (IV) of the existing Bye-law 70 be deleted and substituted by a semicolon “;” together with the word “or”.

THAT following new clause (V) be inserted to the existing bye-law 70:

“(V) if required the Listing Rules, by the Chairman of the meeting and/or directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at a particular meeting in certain circumstances where, on a show of hands, a meeting votes in the opposite manner to that instructed in those proxies.”

(B) Bye-law 99

THAT the words “save any Director holding office as Chairman or Managing Director” of the existing Bye-law 99 be deleted.

(C) Bye-law 100

THAT the word “annual” and the words “from year to year” in the first sentence of the existing Bye-law 100 be deleted.

(D) Bye-law 102 (A)

THAT the word “annual” of the existing Bye-law 102 (A) be deleted.

(E) Bye-law 102 (B)

THAT the word “annual” of the existing Bye-law 102 (B) be deleted.

THAT the following words be inserted after the words “of the Company” in the existing Bye-law 102 (B):

“(in the case of casual vacancy) or until the next following annual general meeting (in the case of an addition to the Board)”

(F) Bye-law 104

THAT the word “annual” of the existing Bye-law 104 be deleted.

9. To transact any other business.

By Order of the Board
LAW Tim Fuk, Paul
Company Secretary

Hong Kong, 24th July, 2006

Notes:

1. Any member of the Company entitled to attend and vote at the Annual General Meeting of the Company shall be entitled to appoint another person as proxy to attend and vote instead of him. On a poll, votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.

2. The instrument appointing a proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited at the principal place of the Company in Hong Kong at 25/F., BEA Tower, Millennium City 5, 418 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the meeting or the adjourned meeting.

3. The Bye-laws of the Company are written in English. There is no Chinese version in respect thereof. Therefore, the Chinese version of the Special Resolution as set out in item 8 above on amendments to the Bye-laws is purely a translation only. Should there be any discrepancies, the English version will prevail. The purpose of the amendments is included in a separate circular to members of the Company dispatched to members with the Company’s Annual Report 2006.

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 25/F., BEA Tower, Millennium City 5, 418 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong on 24th August, 2006 (Thursday) at 11:30 a.m. for the following purposes:

1. To receive and consider the Audited Consolidated Accounts and the Reports of the Directors and Auditors for the year ended 31st March 2006.
2. To declare the final dividend for the year ended 31st March 2006.
3. To re-elect the retiring Directors, to authorise the Board to fix the remuneration of Directors and to appoint additional Directors.
4. To re-appoint Auditors and to authorise the Board to fix their remuneration.
5. As special business, to consider and, if thought fit, to pass with or without modifications the following resolution as an ordinary resolution:

“THAT:

- (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and it is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to a Rights Issue (as defined in paragraph (d) below) or pursuant to an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to executives and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company or any script dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company, shall not exceed 20% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution and the said approval to the Directors in paragraph (a) above shall be limited accordingly; and
- (d) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

 - (i) the conclusion of the next Annual General Meeting of the Company;
 - (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; or
 - (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to the shareholders on the register of shareholders of the Company on a fixed record date in proportion to their shareholdings as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company).”

6. As special business, to consider and, if thought fit, to pass with or without modifications the following resolution as an ordinary resolution:

“THAT:

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as defined in paragraph (c) below) of all the powers of the Company to repurchase its own shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which the securities of the Company may be listed and recognized by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and it is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of share capital repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution and the said approval to the Directors of the Company in paragraph (a) above shall be limited accordingly; and
- (c) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

 - (i) the conclusion of the next Annual General Meeting of the Company;

- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; or

- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting.”

7. As special business, to consider and, if thought fit, to pass with or without modifications the following resolution as an ordinary resolution:

“THAT conditional upon Resolutions Nos. 5 and 6 above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors of the Company as mentioned in Resolution No. 6 above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to Resolution No. 5 above, provided that the amount of share capital repurchased by the Company shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution.”

8. As special business, to consider and, if thought fit, to pass the following resolution as a special resolution:

“THAT the existing Bye-laws of the Company be and are hereby amended in the following manner, namely:

(A) Bye-law 70

THAT the full stop “.” at the end of clause (IV) of the existing Bye-law 70 be deleted and substituted by a semicolon “;” together with the word “or”.

THAT following new clause (V) be inserted to the existing bye-law 70:

“(V) if required the Listing Rules, by the Chairman of the meeting and/or directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at a particular meeting in certain circumstances where, on a show of hands, a meeting votes in the opposite manner to that instructed in those proxies.”

(B) Bye-law 99

THAT the words “save any Director holding office as Chairman or Managing Director” of the existing Bye-law 99 be deleted.

(C) Bye-law 100

THAT the word “annual” and the words “from year to year” in the first sentence of the existing Bye-law 100 be deleted.

(D) Bye-law 102 (A)

THAT the word “annual” of the existing Bye-law 102 (A) be deleted.

(E) Bye-law 102 (B)

THAT the word “annual” of the existing Bye-law 102 (B) be deleted.

THAT the following words be inserted after the words “of the Company” in the existing Bye-law 102 (B):

“(in the case of casual vacancy) or until the next following annual general meeting (in the case of an addition to the Board)”

(F) Bye-law 104

THAT the word “annual” of the existing Bye-law 104 be deleted.

9. To transact any other business.

By Order of the Board
Law Tim Fuk, Paul
Company Secretary

Hong Kong, 24th July, 2006

Notes:

1. Any member of the Company entitled to attend and vote at the Annual General Meeting of the Company shall be entitled to appoint another person as proxy to attend and vote instead of him. On a poll, votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.
2. The instrument appointing a proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited at the principal place of the Company in Hong Kong at 25/F., BEA Tower, Millennium City 5, 418 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the meeting or the adjourned meeting.
3. The Bye-laws of the Company are written in English. There is no Chinese version in respect thereof. Therefore, the Chinese version of the Special Resolution as set out in item 8 above on amendments to the Bye-laws is purely a translation only. Should there be any discrepancies, the English version will prevail. The purpose of the amendments is included in a separate circular to members of the Company dispatched to members with the Company’s Annual Report 2006.

There has been no early adoption by the Group of the following new standards or interpretations that have been issued but are not yet effective. The adoption of such standards or interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS Interpretation 4	Determining whether an Arrangement contains a Lease
HKFRS Interpretation 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HKFRS Interpretation 6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment
HKFRS Interpretation 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HKFRS Interpretation 8	Scope of HKFRS 2
HKFRS Interpretation 9	Reassessment of Embedded Derivatives

Amendments as a consequence of the effective of Hong Kong Companies (Amendment) Ordinance 2005:

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements
HKFRS 3 (Amendment)	Business Combinations

(b) *Comparatives*

As explained above, due to the adoption of the new HKFRSs during the current year, the accounting treatment and presentation of certain items in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparatives have been restated to conform with the current year presentation.

3 Turnover and segment information

The Group is principally engaged in the retailing and wholesaling of gold jewellery and gold ornaments, gem-set jewellery and gemstones, and other accessory items. The Group also provides technical support and consultancy services, and quality control of jewellery products to certain licensees. Revenues recognised during the year are as follows:

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Sale of goods (note)	<u>2,126,297</u>	<u>1,961,720</u>

Note:

Included in sales of goods are HK\$491,338,000 (2005: HK\$377,982,000) which were settled in pure gold bars. These pure gold bars were in turn used for settlement of trade payables.

Primary reporting format – business segments

	Retailing		Manufacturing and wholesaling		Other operations		Eliminations		Group	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	<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>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Sales to external customers	1,427,434	1,449,276	696,843	510,326	2,020	2,118	-	-	2,126,297	1,961,720
Inter-segment sales	40,292	44,167	435,700	454,993	23	-	(476,015)	(499,160)	-	-
Other incomes from external customers	915	404	22,570	20,001	1,881	2,167	-	-	25,366	22,572
Inter-segment other incomes	-	-	-	-	797	1,104	(797)	(1,104)	-	-
Total	1,468,641	1,493,847	1,155,113	985,320	4,721	5,389	(476,812)	(500,264)	2,151,663	1,984,292
Segment results	118,490	117,326	35,068	45,623	11	(2,706)	(2,811)	(3,271)	150,758	156,972
Interest income									835	95
Unallocated costs									(37,864)	(29,986)
Gain on disposal of properties	-	16,537	-	-	-	8,912	-	-	-	25,449
Operating profit									113,729	152,530
Finance costs									(1,309)	(425)
Profit before taxation									112,420	152,105
Taxation									(15,891)	(25,146)
Profit after taxation									96,529	126,959
Segment assets	550,222	485,041	579,997	551,356	15,370	59,441	(313,009)	(317,179)	832,580	778,659
Unallocated assets									66,361	53,425
Total assets									898,941	832,084
Segment liabilities	(396,872)	(391,709)	(64,790)	(40,190)	(2,575)	(24,485)	313,009	317,179	(151,228)	(139,205)
Unallocated liabilities									(19,521)	(19,570)
Total liabilities									(170,749)	(158,775)
Depreciation – allocated	8,545	5,815	6,256	2,676	308	717	-	-	15,109	9,208
– unallocated									3,747	2,978
									18,856	12,186
Amortisation – allocated	1	23	122	135	15	126	-	-	138	284
– unallocated									44	31
									182	315
Capital expenditure – allocated	12,750	8,219	18,336	27,462	911	38,188	-	-	31,997	73,869
– unallocated									1,806	7,731
									33,803	81,600

Secondary reporting format – geographical segments

The geographical analysis is divided into three regions:

- Hong Kong
- PRC
- Others

	Total assets		Capital expenditure	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)		
Hong Kong	653,202	631,105	13,432	52,628
PRC	195,084	158,563	18,644	27,462
Others	50,655	42,416	1,727	1,510
	<u>898,941</u>	<u>832,084</u>	<u>33,803</u>	<u>81,600</u>

No geographical analysis on segment revenue and result is presented as less than 10% of the Group's turnover and less than 10% of the Group's consolidated results were attributable to markets outside Hong Kong.

4 Operating profit

Operating profit is stated after crediting and charging the following:

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Crediting		
Net exchange gain	920	1,181
Write back of provision for slow-moving inventories	3,168	385
Charging		
Auditors' remuneration	2,666	2,433
Amortisation of leasehold land and land use rights	182	315
Cost of inventories sold	1,666,615	1,546,133
Deficit on revaluation of buildings	22	-
Depreciation of property, plant and equipment	18,856	12,186
Loss on disposal of other fixed assets	1,572	1,562
Operating lease rentals in respect of land and buildings	91,156	67,135
Provision for impairment of available-for-sale financial asset	1,042	-
Provision for impairment of other investments	-	1,073
Retirement benefit costs included in staff costs	5,480	5,410
Staff costs (including directors' emoluments)	155,076	142,344
Write-down of non-current asset held for sale to fair value	662	-

5 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year.

The amount of taxation charged to the consolidated income statement represents:

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax		
– current	17,448	21,226
– over-provision in prior years	(3,728)	(1,305)
Overseas taxation	3,370	2,633
Deferred taxation	(1,199)	2,592
	<u>15,891</u>	<u>25,146</u>

6 Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company of HK\$95,695,000 (2005 (Restated): HK\$125,795,000) and the weighted average number of 486,738,371 (2005: 482,591,036) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the Group's profit attributable to equity holders of the Company of HK\$95,695,000 (2005 (Restated): HK\$125,795,000) and the weighted average number of 490,458,067 (2005: 488,342,001) ordinary shares in issue during the year after adjusting for the effects of all potential dilutive ordinary shares deemed to be issued at no consideration if all outstanding share options granted under the share option scheme of the Company had been exercised.

7 Trade receivables

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

The ageing analysis of trade receivables is as follows:

	31st March	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	11,885	13,090
31 – 60 days	-	1,072
61 – 90 days	-	70
91 – 120 days	6	122
Over 120 days	253	852
	<u>12,144</u>	<u>15,206</u>

The carrying amounts of trade receivables approximate their fair value.

8 Trade and other payables

Include in trade and other payables are trade payables and their ageing analysis are as follows:

	31st March	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	50,000	44,530
31 – 60 days	29,486	19,220
61 – 90 days	8,066	8,873
91 – 120 days	4,186	2,070
Over 120 days	722	217
	<u>92,460</u>	<u>74,910</u>

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

FINANCIAL POSITION

Profit for the year

For the year ended 31st March 2006, turnover was HK\$2,126,297,000, representing a 8.4% increase compared with HK\$1,961,720,000 in the previous year. Profit attributable to shareholders decreased 23.9% to approximately HK\$95,695,000 (2005 (restated): HK\$125,795,000). Earnings per share was HK 19.7 cents (2005(restated): HK 26.1 cents).

Dividend

The Directors recommended the payment of a final dividend of HK 7 cents per share (2005: HK 6 cents per share) for the year ended 31st March 2006. This, together with the interim dividend of HK 3 cents per share already paid, gives a total of HK 10 cents per share for the year ended 31st March 2006 (2005: HK 12 cents per share including HK2 cents of special dividend). The proposed dividend will be payable on 15th September 2006 to shareholders whose names appear on the Company's Register of members on 24th August 2006 following the approval at the forthcoming Annual General Meeting.

Analysis on turnover and profit

Total turnover increased approximately 8.4% as compared with that of the previous year. In particular, turnover in the retail sector decreased approximately 1.5% mainly because of severe weather conditions that adversely affected the traffic of PRC tourists and the shopping appetite of consumers in the first half of the financial year ended 31st March 2006. During the second half of the year, retail sales improved owing to the increase in demand for jewellery products stimulated by the favorable marriage year. Besides, turnover in the wholesale sector increased approximately 36.5% owing to substantial increase in the quantity of gold jewellery items purchased by the Group from retail customers and then resold to gold merchants in bulk quantities, as a result of drastic surges in gold prices during the second half of the financial year.

The profit attributable to shareholders for the year ended 31st March 2006 in respect of normal operations decreased approximately 4.6%, as compared with the profit for the previous year excluding the exceptional gain on disposal of properties amounting to approximately HK\$25 million for that year. During the year under review, the monthly shop rentals of several tenancy agreements renewed by the Group were greatly raised attributable to the "Disney effect". Hence, total rental expenses for the year increased approximately 35.8% and accounted for approximately 4.3% of total turnover.

BUSINESS PERFORMANCE

Hong Kong Market

Benefiting from the prosperous growth in Hong Kong's economy during the 2005/06 financial year, turnover of the Group's business in Hong Kong rose in the second half year.

As at 30th June 2006, the Group has 31 retail outlets under the name of "Luk Fook" in Hong Kong, Macau, PRC and Canada. There are 2 under the name of Ice g. located in Hong Kong. During the year under review, Luk Fook has won a number of awards with regards to the company as a whole, as well as design, product quality and customer services. In June 2006, Luk Fook stood out from 100 enterprises and attained "The Best Brand Enterprise Award 2005-2006". In November 2005, Luk Fook was also selected as Asia and the Pacific's "Best Under A Million" by Forbes Magazine. We are proud to be the only jewellery company on the winner's list. As a reputable jewellery brand in Hong Kong, the recognitions and awards obtained by Luk Fook have helped sustain the Group's further development and strengthened its competency.

PRC Market

The Group has successfully expanded the PRC market through providing brand-licensing services. During the year under review, the number of the Group's licensee shops in the PRC has increased to over 180. The Group continues to provide technical support and consultancy services to licensed jewelers in the PRC, with an aim to further penetrate into the PRC market. In May 2006, the Group opened its retail outlet in Beijing, the capital city of the PRC, to further raise its awareness and interest among mainland Chinese and to grasp the enormous business opportunities brought by the Olympic Games in 2008.

Macau Market

Since the gaming industry in Macau opened up, Macau has become a popular hot spot for tourists. Mainland visitors are no exception. Together with the satisfactory performance of the first retail outlet in the past, the Group has set up another new shop on the main street of Macau which was opened in August 2005. The Group is confident of the business in Macau and will continue to facilitate and promote its jewellery business.

Overseas Market

Luk Fook never stops identifying any new growth driver. The next move for the Group will be exploring the global market. To realize the vision, subsequent to the penetration into the Canada market, Luk Fook will be setting up a retail outlet in San Jose of the United States in the later half of 2006 under the new brand name "Luvina Jewelers". The new shop will become the Group's first step to seize the jewellery market share in the United States and the new brand will signify the Group's objective of expanding brands under its umbrella branding strategies. Going forward, the Group also plans to open retail outlets in New York, Las Vegas and Southeast Asia, aiming to attract more customers from overseas and promote Luk Fook Jewellery brands to other parts of the world.

OPERATION REVIEW

Products

During the year under review, the Group delivered a great variety of new products into the market in the face of stiff competition and to cater to the different needs of customers. The new products, which successfully won hearts of the consumers, include:

- Launching a series of Italian K Gold, including famous Italian brand "Laura C", of which styles are elegant and fancy
- "Jewellery Temptation Diamond" Collection Series were launched during the Labour Day Golden Week and the Golden Week in early October
- Adorable products such as "旺財寶寶", "如意金狗" are designed to match up with the year of Dog
- "Close to you" Collection and "Courage" Collection are specially designed for Valentine's Day. They are products that often create romantic feelings to lovers
- "Wedding Series" especially designed to match up with the favourable marriage year
- Cultured Pearl Jewellery "Love Mummy" Collection is especially designed for Mother's Day
- Targeting the increasing Men's Jewelry Market, a series of Titanium Steel Jewellery were introduced especially for men. Products are mainly using Titanium as key parts, matched with some other materials as designs, bringing out the muscularity of men
- Proudly South African Diamond Jewellery "Parfait" Collection
- "Legend" Collection which is made up of Cultured Tahiti Black Pearl

Customers are smart. They always seek for quality products at affordable prices. In this regard, Luk Fook will seek to provide customers with products that cater to their tastes.

Sales Network

As at 30th June 2006, the Group has 31 retail outlets under the brand name of Luk Fook and 2 outlets under the brand name of Ice g. in Hong Kong, the PRC, Macau and Canada. The Group is also setting up a retail outlet in San Jose of the United States named "Luvina Jewelers". The Group will continue to identify new business opportunities in the international market in response to the Group's long-term development.

Marketing and Promotion

Advertising and promotion expenditures represent approximately 1.3% of the turnover. To facilitate the development of Hong Kong's jewellery industry, the Group also participated in various large-scale exhibitions and sponsorship of public activities during the year including:

- Sponsored the Diamond Crown and jewellery pieces for the winners of Miss Hong Kong Pageant for the 8th consecutive years
- Being the sole sponsor of the winner's jewellery pieces in "Miss Asia Pageant 2005"
- Sponsored the jewellery pieces for the winners of the "City Beauties Pageant 2005" in Guangzhou
- Being the title sponsor of Miss Stephanie Sun's concert in January
- Participated in numerous worldwide jewellery exhibitions including: Shanghai, Shenzhen and Hong Kong
- Sponsored Miss Chinese in Vancouver and Toronto for several years
- Being a prize sponsor in various game shows at leading television channels

The Group also organized and participated in a number of promotional activities:

- Splendid of Creativity – a cocktail reception and catwalk show displayed the awarded jewellery of the Group in December
- Actively participated in DTC Forevermark promotion
- Large scale promotion activities were held in important dates including Mother's Day, Christmas, Lunar New Year and Valentine's Day
- New advertising materials launched via different media channels
- Participated in the large-scale joint promotion activities organized by World Gold Council, Platinum Guild International and Perles De Tahiti

Brand Management

During the year, the Group won the sincere trademark of "Hong Kong and Macau Merchants Integrity Award" and "My Favourite Top Ten Brands Hong Kong" by the Guangzhou Daily, which symbolized the Group's popularity among Mainland customers. The Group was also awarded by Forbes Magazine as one of Asia and the Pacific's 200 best companies with annual revenues under US\$1 billion. Being the only jewellery retailer gaining such honour, it strengthened our outstanding position in the jewellery industry and marked our high quality of corporate management and sustained growth.

Luk Fook also expands its market segments with product line diversification. Apart from "Luk Fook" brand, the Group has established a younger product line under the brand "Ice g.". The brand is now widely recognized by customers for its trendy design and craftsmanship. Furthermore, the new brand "Luvina Jewelers" which is to be established later this year is a new multi-branding strategy of the Group to mainly target mature and premium customers overseas.

Production

In order to attain cost effectiveness and production efficiency, the Group continued its production of a portion of the gold ornaments and gem-set jewellery by its production facilities in Hong Kong and the PRC. The production facility in Panguy, Guangdong, the PRC has also enhanced the Group's production capacity, bringing to the Group a higher efficiency in manufacturing jewellery. The Panguy manufacturing plant has a total floor area of over 300,000 square feet. The plant commenced operation in the fourth quarter of 2004.

Portal Operation

The Group's jewellery portal "www.jewellworld.com" or "www.jw28.com" was established to be an electronic gateway for the global jewellery industry. It not only serves as a business-to-business trading platform among jewellery manufacturers, wholesalers and retailers worldwide, but also an additional promotion and distribution channel for the Group. The Group thus believes that viewing samples and purchasing jewellery by electronic means has become popular and will enhance huge business potential.

ACHIEVEMENTS

Design

To adhere to the market and jewellery trend, the Group never stops pushing the limits of jewellery design. Our vivid appetite and passion on creative designs received a wide range of awards and recognitions from different design competitions including:

- Platinum Guild International Jewellery Masterpiece: Jiang
- Chuk Kam Jewellery Design Competition 2006
 - Buyer's Choice Group: Buyer's Choice Winner – "The Rhapsody"
- The 4th Tahitian Pearl Trophy Asia
 - Necklace Category: Champion – "Jiffy"
 - Parure Category: Champion – "The Fate"
 - Pearl Row Category: Champion – "Banquet"
 - Pearl Row Category: First Prize – "Fire Dancer"
 - Ring: Second Prize – "Drops of Memories"
- The 7th Buyers' Favourite Jewellery Design Competition
 - Bangle and Bracelet Section: "Meet" and "Part"
 - Earrings Category: Bronze Award – "Fire"
 - Earrings Category: "Best of the Best Award" and Gold Prize – "Dandelion"
- The 7th Hong Kong Jewellery Design Competition
 - Bracelet/Necklace group: "Craftsmanship and Technology Award": "Victoria Harbour"
 - Bracelet/Necklace group: Merit Award – "Sparkle night"
 - Bracelet/Necklace" group: Merit Award – "Rain Forest"
 - Others's group: Merit Award – "Mirror Flakes"
 - Ring's group: Merit Award – "Lolita"

The Group will continue to launch new products in the market to offer customers more innovative designed jewellery.

Quality Assurance

The Group's wholly owned subsidiary gems laboratory "China Gems Laboratory Limited" was set up in 1996. It was established to ensure the quality of each product maintains good standard. Its scope of services includes authentication, grading of diamonds, and authentication of jades and coloured gemstones and quality assessment of jewellery. The Laboratory has employed a number of certified gemologists who have professional qualifications and rich experiences. Every year, it tests for over 100,000 pieces of jewellery and gemstones on average. With the ISO 17025 qualification accredited by the Hong Kong Accreditation Service last year, the Laboratory continues to be the accredited laboratory of gemstones (Jadeite) testings and meet the principles of ISO 9001:2000 Quality Management Systems – Requirements this year. At present, the Group is the only jewellery retailer in Hong Kong receiving this qualification.

Customer Service

The Group has been the only jewellery brand being shortlisted in the "Emerging Service Award" of the "Hong Kong Top Services Brand Award" from The Chinese Manufacturers' Association of Hong Kong and Hong Kong Brand Development Council. The Group has also obtained the "2005 Hong Kong Awards for industries": Customer Service Certificate of Merit from the Hong Kong Retailing Management Association.

PROSPECTS

As there are more sight-seeing spots in Hong Kong such as the new attractions in Ocean Park, Ngong Ping 360, the Hong Kong Wetland Park and the Disneyland, they helped boost up domestic consumption as well the number of visitors. They have also attracted tourists coming to Hong Kong from the PRC and Southeast Asia. Thus, more business opportunities are expected to bring to the retail industry and favour the demand for jewellery.

Meanwhile, from May 2006 onwards, the Individual Visit Scheme will be further applied to more parts of China such as those in Hunan, Hainan, Yunnan, etc. More PRC tourists will be able to visit Hong Kong. Thus, the spending from the PRC visitors is believed to bring Hong Kong's economy to another high.

Following the new shop that will soon be established in the United States, it means our market segment has been newly lengthened to the United States which will be a prominent milestone for Luk Fook's expansion into the United States market.

With wide support and recognition from the industry as well as customers, the group will continue to strengthen its brand and corporate image so as to build up customers' confidence towards the Group. In the coming years, the Group will participate in more international competitions, industry fairs, and exhibitions in a hope to excel in various aspects.

Meanwhile, the Group will proceed to promote the Ice g. brand and launch a set of products targeting younger consumers and endeavor to make the brand into a recognizable brand by offering delicate jewellery products at reasonable prices and of high qualities.

Looking ahead, Hong Kong will continue to enjoy favourable business conditions brought by the PRC. With China's successful entry into the World Trade Organization (WTO) and the progressive implementation of the Closer Economic Partnership Arrangement (CEPA), numerous business opportunities have been brought to Hong Kong. As China gradually opens up its vast market to allow more individual travelers coming to Hong Kong, coupled with the rising income of its people as well as the demand for luxury, despite a moderate improvement of turnover in the past fiscal year, the Group holds an optimistic attitude towards our retail business in the coming year. Meanwhile, Luk Fook will remain committed to expanding its business and continue to grasp every chance to generate returns for our shareholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's core business is gold and jewellery retailing. As at 31st March 2006, the Group's bank balances and cash reached approximately HK\$109 million (2005: HK\$131 million). The Group's debt-to-equity ratio at the year-end, being the proportion of total debts of approximately HK\$171 million (2005: HK\$159million) against total shareholders' equity of approximately HK\$715 million (2005 (restated): HK\$664 million), was 23.9% (2005: 23.9%).

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\$34 million (2005: HK\$82 million), including the costs of leasehold improvements, furniture, fixture and equipment.

Contingent Liabilities

The Group did not have any significant contingent liabilities at 31st March 2006 (2005: Nil).

Employment, Training, Development and Remuneration Policy

As at 31st March 2006, the number of employees of the Group was approximately 1,726 (2005: 1,550). Remuneration policies are reviewed and approved by management on a regular basis. Remuneration packages are structured to take into account the comparable level of the market. Bonus and others merit payments are linked to success of the Group and performance of individual employee. The policy is to encourage employees to optimize business performance by providing them with financial incentives.

CLOSURE OF REGISTER OF MEMBERS

The Register of members of the Company will be closed from 21st August 2006 to 24th August 2006, 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, 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 18th August 2006.

AUDIT COMMITTEE

In compliance with paragraph 14 of the Code of Best Practice, 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 2005, the audit committee conducted several meetings to consider matters including the 2005 annual report of the Company, internal controls and the unaudited interim condensed consolidated accounts for the six months ended 30th September 2005, the 2006 annual report of the Company and the Group's IT control environment.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the year ended 31st March 2006, in compliance with Appendix 14 of the Listing Rules which contain the Code on Corporate Governance Practices (the "Code") except for the following deviations from certain Code Provisions:

1. Code Provision A.4.1

Code: Non-executive directors should be appointed for a specific term, subject to re-election.

Deviation: Non-executive directors are not appointed for a specific term but subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

Remedy: All Non-executive directors were re-appointed for a terms of two years with effect from 1st April 2006 and subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

2. Code Provision A.4.2

Code: All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Deviation: In accordance with the Company's Bye-laws, one-third of the directors shall retire from office by rotation save any director holding office as Chairman or Managing Director.

Remedy: A special resolution will be proposed at the forthcoming annual general meeting to amend the Company's Bye-laws in order to comply with this Code Provision.

3. Code Provisions B.1.4 & C.3.4

Code: The Remuneration Committee and the Audit Committee should make available their terms of reference, explaining their role and the authority delegated to them by the Board.

Deviation: Such terms of reference were not available to the public.

Remedy: At present such terms of reference are displayed in the Company's official website at www.lukfook.com.hk and are available to the public.

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 December 2005, the Remuneration Committee held a meeting to review the policies for determining annual salary increments for the calendar year 2006, to approve the payment of the discretionary year-end bonus for 2005, to consider the feasibility of setting up an incentive bonus scheme for all non-sales employees working at the Head Office, to review the enhanced scheme for granting employees' annual leave, and to approve the outsourcing of a group medical plan for all employees up to the supervisory level.

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 2006.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our gratitude and appreciation to all of my staff, shareholders and business partners for their hard work and dedication. I also wish to thank our customers for their continuous support all these years. The Group will endeavor to strive for the best in the future to develop Luk Fook into an international brand.

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

By Order of the Board
WONG Wai Sheung
 Chief Executive