

CHIEF EXECUTIVE'S STATEMENT

行政總裁報告

WONG Wai Sheung

Chief Executive

黃偉常

行政總裁

“Wide recognition and customer support has made Luk Fook a leading jewellery retailer in Hong Kong and the PRC. Riding on the solid foundation we built, the Group will further expand our international foothold to become a renowned jewellery retailer worldwide.”

I am pleased to present you the results for the year ended 31st March 2006. During the year, the Group has accomplished the business objectives of strengthening the brand, enhancing corporate governance and improving internal control.

FINANCIAL POSITION

Profit for the year

For the year ended 31st March 2006, turnover was HK\$2,126,297,000, representing an 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 HK19.7 cents (2005 (restated): HK26.1 cents).

Dividend

The Directors recommended the payment of a final dividend of HK7 cents per share (2005: HK6 cents per share) for the year ended 31st March 2006. This, together with the interim dividend of HK3 cents per share already paid, gives a total of HK10 cents per share for the year ended 31st March 2006 (2005: HK12 cents including HK2 cents of special dividend per share). The proposed dividend will be paid on 15th September 2006 following the shareholders' approval at the Annual General Meeting.

「各界的表揚及客戶的支持使六福成為香港及中國具知名度的珠寶首飾零售商。這些年來，憑藉我們所建立的穩固根基，本集團將繼續拓展國際市場，務求成為世界知名的珠寶首飾零售商。」

本人欣然提呈截至2006年3月31日止年度之業績。年內，本集團完成提升品牌、加強企業管治以及改善內部監控等業務目標。

財政表現

年內溢利

截至2006年3月31日止年度，營業額為2,126,297,000港元，較去年1,961,720,000港元增加8.4%。股東應佔溢利減少23.9%，跌至約95,695,000港元(2005年(重列)：125,795,000港元)。每股盈利為19.7港仙(2005年(重列)：26.1港仙)。

股息

董事擬就截至2006年3月31日止年度派發末期股息每股7港仙(2005年：每股6港仙)，連同已派發的中期股息每股3港仙，截至2006年3月31日止年度宣派的股息合共為每股10港仙(2005年：每股12港仙包括2港仙特別股息)。擬派股息於股東週年大會獲股東批准後，將於2006年9月15日支付。

CHIEF EXECUTIVE'S STATEMENT 行政總裁報告



Magnificent and luxurious design of the new image shop
新形象分店的裝潢精緻華麗

Analysis on the 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 non-recurring gain on disposal of properties amounted to approximately HK\$25 million for that year. Overall, the year ended 31st March 2006 proved to be a challenging year to the Group, with the rental levels of the Hong Kong shops reached its record high. 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. However, equipped with long-established relationships with the landlords and proven track records, the Group still managed to minimize the impact through successful negotiation for more favourable shop rental.

營業額及溢利分析

總營業額較上一年度增加約8.4%。其中是零售業務營業額下跌1.5%，主要因為截至2006年3月31日止財政年度上半年的惡劣天氣，不但令中國旅客人數減少，更打擊消費者的購物意欲。然而，由於下半年是宜嫁娶年，帶動珠寶首飾的需求，銷售表現理想，故此本集團零售額於下半年的表現有所改善。除此之外，批發業務之營業額增加約36.5%，由於金價於財政年度下半年急劇上升，而本集團自零售顧客購回金飾，並將其大量轉售至金商之數量大幅增加。

股東應佔溢利於截至2006年3月31日止年度就經常營運減少約4.6%，較上年度溢利(並不包括出售物業非經常收益約25,000,000港元)。整體而言，截至2006年3月31日止年度，香港店舖的租金屢創新高，對六福集團帶來重重挑戰。於回顧年度，「迪士尼效應」導致本集團續租賃數份租約時集團之店舖，月租大幅上升。因此，年度總租金開支增加約35.8%，佔總營業額約4.3%。然而，基於集團與業主長期建立的關係，以及過往良好的記錄，本集團仍能透過商定較相宜的租金，從而減少有關的影響。

CHIEF EXECUTIVE'S STATEMENT 行政總裁報告



The new decoration in the Mong Kok Branch
旺角分店內的新面貌

INDUSTRY REVIEW

During the year under review, Hong Kong enjoyed a continuous upturn in its economy. The decline in unemployment rate and the rise in salary and bonus of the working class during the year not only indicated the continued improvement on consumer's purchasing power, but also led to a strong domestic demand.

Though the opening of Disney did not make significant impact, the "Individual Visit Scheme", with more mainland cities opened up to allow more PRC tourists to travel to Hong Kong, continued to be the key driver of the growth in domestic retail sales. Among mainland tourists, many of them are especially fond of jewellery. Their visits to Hong Kong had made significant contributions to the turnover of the jewellery industry in Hong Kong.

Moreover, in line with the robust economic growth in the PRC, demand for luxury products such as gold and diamond jewellery continued to grow. The closer economic cooperation between Hong Kong and the PRC facilitated by Closer Economic Partnership Agreement (CEPA) brought benefits to the retailers. The Group believes that with its advanced technology, high-quality products and talented staff, the Group is confident of expanding its business more widely in the PRC market.

行業回顧

於回顧年度，香港經濟持續轉好。年內，失業率下降，勞動階層薪金及花紅增加，不單顯示消費者購買力回升，亦使內需增強。

儘管迪士尼樂園開幕後帶來的影響並不重大，惟於「個人遊計劃」下，更多國內城市陸續開放，容許更多內地旅客到香港旅遊，繼續為本地零售額增長之主要動力。不少內地旅客尤其鍾愛珠寶首飾，這些旅客訪港，對香港珠寶首飾業之營業額帶來重大貢獻。

此外，隨著中國經濟火速增長，市場對黃金、珠寶及鑽飾等高消費品的需求持續增加。更緊密經貿關係安排(CEPA)促進了香港與中國之間的緊密經濟合作，為零售商帶來裨益。本集團相信，憑藉先進的技術、優質的產品及具才幹的員工，必能在中國市場進一步擴展業務。

CHIEF EXECUTIVE'S STATEMENT 行政總裁報告



Office Building and production plant in Panyu, PRC
中國番禺行政大樓及生產廠房

BUSINESS PERFORMANCE

Hong Kong Market

During the year under review, Hong Kong recorded a steady economic growth. According to the figures of Hong Kong Trade Development Council (HKTDC), the real GDP increased above expectation in the past two years. The real GDP rose by 8.6% in 2004, 7.3% in 2005 and 8.2% in the first quarter of 2006. This continuous rise in the real GDP has favoured the retail market in Hong Kong and consumer spending has increased.

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 Billion" 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 to sustain the Group's further development and strengthened its competitiveness.

業務表現

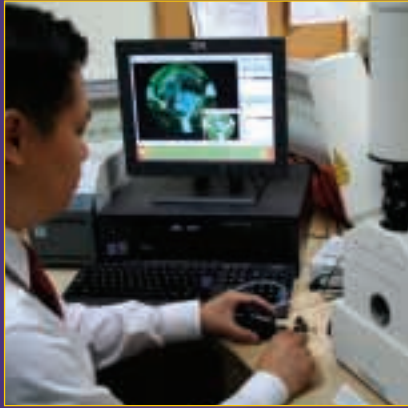
香港市場

於回顧年度，香港錄得穩定經濟增長。根據香港貿易發展局（「貿發局」）的數據顯示，實質本地生產總值於過去兩年多以來錄得超過預期之增長，2004年上升8.6%，2005年上升7.3%及2006年第一季則上升8.2%。實質本地生產總值持續增長，令香港零售商受惠，而消費開支亦見增加。

受惠於2005／06財政年度香港經濟蓬勃的增長，本集團之香港業務營業額於下半年增加。

於2006年6月30日，本集團在香港、澳門、中國及加拿大共有31間六福分店，以及在香港有兩間Ice g.分店。於回顧年度，六福憑藉公司整體表現、設計、產品質素及客戶服務而獲頒發多個獎項。於2006年6月，六福在100間企業中脫穎而出，榮獲「最佳創建品牌企業獎2005-2006」。於2005年11月，六福亦獲「福布斯」雜誌選為200間「亞洲及太平洋區最佳中小型企業（每年營業額十億美元以下）」之一，更是唯一一間入選的珠寶首飾公司，本集團引以為榮。作為香港知名的珠寶首飾品牌，六福獲得之嘉許及獎項，有助本集團進一步發展及加強競爭力。

CHIEF EXECUTIVE'S STATEMENT 行政總裁報告



China Gems Laboratory Limited's professional authentication system

中華珠寶鑑定中心專業鑑証系統



The production line in the Panyu plant

中國番禺廠房的生產線

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.

According to a survey conducted by HKTDC, the sales of jewellery recorded an annual growth rate of 15.7% in the PRC market. The jewellery market is expected to reach RMB 150 billion in 2006. With the higher level of living standard in some cities of the PRC, the PRC consumers are more willing to spend money on luxuries such as jewellery. In addition, the steady rise in GDP in the PRC over the past years also favoured the retail industry. Thus, with the favourable factors, together with our fame, services and product quality, the Group believes that its business in the PRC will grow further.

中國市場

本集團透過提供商標許可使用服務，已成功擴展中國市場。於回顧年度，本集團的商標許可使用商數目增至超逾180間。本集團繼續向國內的特許珠寶商提供技術支援及顧問服務，旨在進一步滲透中國市場。於2006年5月，本集團在中國首都北京開設分店，以進一步提高內地人對本集團的認識及興趣，並把握2008年奧運會帶來的龐大商機。

根據貿發局進行的調查，中國市場的珠寶首飾銷售額錄得15.7%的年增長率，預計於2006年內，珠寶首飾市場市值將達人民幣1,500億元。隨著國內若干城市的生活水平提升，國內消費者更加樂意消費在珠寶首飾等高消費品上。此外，中國國內生產總值於過去數年穩步增長，亦使零售業受惠。因此，基於此等有利因素，加上本集團的名聲、服務及產品質素，本集團相信，其中國業務勢將進一步增長。

CHIEF EXECUTIVE'S STATEMENT 行政總裁報告



Award presentation of Asia and the Pacific's
"Best Under a Billion" by Forbes Magazine

福布斯「亞洲及太平洋最佳中小型企業」
頒獎典禮



Award presentation of "The Best Brand
Enterprises 2005-2006"

「最佳創建品牌企業2005-2006」頒獎典禮

Macau Market

Since the opening of gaming industry in Macau, Macau has become a popular hot spot for tourists. Mainland visitors are no exception. According to the Standard and Poor's Research, Macau may overtake Las Vegas's gaming market in a few years time. As the gaming business in Macau flourishes, the Group believes that tourists traveling to Macau will also increase. 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 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 in the future, aiming to attract more customers from overseas and promote Luk Fook Jewellery brands to other parts of the world.

澳門市場

自澳門博彩業開放市場以來，澳門已成為旅遊熱門地。國內旅客亦不例外。根據標準普爾研究的資料顯示，澳門可望於未來數年超越拉斯維加斯的博彩市場。由於澳門博彩業務發展蓬勃，本集團相信旅遊澳門的旅客亦將增加。加上本集團在澳門的首間分店過往表現令人滿意，本集團已於2005年8月在澳門主要街道開設第二間分店。本集團對澳門業務充滿信心，並將繼續促進及推廣其珠寶首飾業務。

海外市場

六福從不錯過任何新增長機會。本集團下一步將會拓展全球市場。為實現目標，於滲透加拿大市場後，六福將於2006年下半年較後時間，在美國聖荷西開設首間「Luvina Jewelers」店。新店將成為本集團涉足美國爭奪珠寶首飾市場份額的第一步，而這新品牌將標誌著本集團於其多元化的品牌策略下擴展品牌之目標。今後，本集團亦計劃在紐約、拉斯維加斯及東南亞開設分店，旨在吸引更多海外顧客及向世界其他地區推廣六福珠寶首飾品牌。

CHIEF EXECUTIVE'S STATEMENT 行政總裁報告

PROSPECTS

As there are more sight-seeing spots in Hong Kong such as the new attractions in Ocean Park, Ngong Ping 360 and the Hong Kong Wetland Park, they helped boost up domestic consumption as well the number of visitors. The Disneyland newly opened in September 2005 has 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 and 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 to increase the Group's publicity.

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 popular 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. The progressive implementation of World Trade Organization (WTO) rules in China and the smooth execution of CEPA have brought to Hong Kong numerous business opportunities. 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.

前景

隨著香港增添更多旅遊觀光景點，如海洋公園新設施、昂坪360及香港濕地公園等，均有助刺激本地消費及使旅客人數上升。迪士尼樂園於2005年9月開幕，亦吸引到更多內地及東南亞旅客來港。因此，預期將為零售業帶來更多商機，並有助提高珠寶首飾需求。

與此同時，自2006年5月開始，個人遊計劃將進一步應用於國內更多地區，如湖南、海南及雲南等，令更多內地旅客將可訪港。因此，相信內地旅客消費將把香港經濟推向另一高峰。

新店即將於美國開業，意味本集團的市場分部已延伸至美國，將為六福開拓美國市場的重大里程碑。

憑藉行業及客戶的廣泛支持及認同，本集團將繼續鞏固其品牌及企業形象，藉以建立客戶對本集團的信心。未來數年，本集團將參與更多國際比賽、行業展銷及展覽會，令更多人認識六福品牌。

同時，本集團將著力推廣Ice g.品牌及推出一系列以年青消費者為對象的產品，並致力發展該品牌成為受歡迎、價廉物美的珠寶首飾專門品牌。

展望將來，香港將繼續享有中國所締造的有利營商環境。隨着中國順利履行世界貿易組織(「世貿」)的規定，加上「CEPA」，香港已湧現大量商機。中國逐步開放其龐大市場，容許更多個人旅客遊港，加上內地人民收入不斷上升，對高消費品需求亦增加，儘管本集團上一財政年度營業額僅錄得溫和增長，本集團對未來一年的零售業務持樂觀態度。與此同時，六福將繼續致力擴展業務，繼續抓緊每個機會為股東帶來回報。

CHIEF EXECUTIVE'S STATEMENT 行政總裁報告

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to take this opportunity to express our gratitude and appreciation to all of my staff and business partners for their hard work and dedication. I also wish to thank our customers and shareholders 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.

By Order of the Board,

WONG Wai Sheung
Chief Executive

Hong Kong, 24th July 2006

致謝

本人謹藉此機會代表董事會，對全體員工及業務夥伴之竭誠服務及積極貢獻致以衷心感謝。本人亦感激各顧客及股東在多年來的支持。本集團今後將竭盡所能，將六福發展成為國際品牌。

承董事會命

黃偉常
行政總裁

香港，2006年7月24日