

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

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 5•1 Golden Week and 10•1 Golden Week
- 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
- “Shine Collection” based on the concept of “Jiang” from 2005 Platinum Guild International Jewellery Masterpiece
- “Blessing Collection” for Christmas

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.

業務回顧

產品

於回顧年度，本集團為了應付激烈的競爭及迎合顧客的不同需要，於市場推出多款新產品。新產品成功贏得客戶垂青，當中包括：

- 推出一系列意大利K金首飾，包括意大利著名品牌「Laura C.」，款式高貴時尚
- 於五•一黃金週及十•一黃金週推出「飾誘魅力鑽飾系列」
- 為配合狗年，特別設計趣緻可愛的「旺財寶寶」及「如意金狗」等產品
- 推出專為情人節而設的「纏綿心情系列」及「敢愛系列」，為情侶增添浪漫情懷
- 適逢本年乃適宜嫁娶的年度，特別推出「婚嫁系列」
- 為母親節精心設計的「媽咪萬歲」養殖珍珠系列
- 為配合日益增加的男仕首飾需求，推廣一系列的鈦鋼首飾。產品主要以鈦鋼作主體，配合其他物料作設計，突顯男仕的魅力
- 以南非美鑽設計而成的「唯美系列」
- 以養殖大溪地黑珍珠襯托出之「神話系列」
- 延續國際鉑金協會2005殿堂級作品「江」的「江映魅力系列」
- 於聖誕節推出「心意系列」

顧客是精明的。他們會挑選質量上乘而價錢相宜的產品，而六福亦會推出迎合顧客要求的首飾。

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Sales Network

The year ended 31st March 2006 was a year for consolidating Luk Fook's pace of expansion, facilitating solid growth in the market outside Hong Kong. Apart from the newly renovated shops situated at the prime locations of Hong Kong that attract more shoppers, the Group realized its strategic expansion plan by setting up its own retail outlet in Beijing in May 2006. Meanwhile, during the year under review, the Group's licensee shops have increased to over 180, reflecting our strong growth momentum.

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 year
- 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 2006
- 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

Luk Fook also participated in numerous large-scale exhibitions and worldwide jewellery exhibitions including: Shanghai, Shenzhen and Hong Kong:

- Hong Kong Brands & Products Expo, Shanghai
- "6th Shenzhen International Jewellery Fair" at China Hi Tech Fair Exhibition Centre, Shenzhen

銷售網絡

截至2006年3月31日止的年度為鞏固六福拓展步伐的一年，為六福在香港以外市場帶來理想增長。除位於香港黃金地段的新裝修店面吸引更多顧客外，本集團亦於2006年5月在北京開設分店，落實其拓展策略。同時，本集團的商標許可使用商數目在回顧年度增致逾180間，標示著本集團的強勁增長。

截至2006年6月30日，本集團於香港、中國、澳門及加拿大共有31間六福品牌的分店及於香港設有兩間Ice g.品牌的分店。本集團亦正於美國聖荷西開設名為「Luvina Jewelers」的分店。本集團將繼續在國際市場物色新商機，以配合本集團的長期發展。

市場推廣及宣傳

廣告及推廣支出約佔營業額的1.3%。為促進香港珠寶業的發展，本集團亦於年內參與多個大型展覽及贊助多個公開活動，包括：

- 連續8年贊助香港小姐冠軍的鑽石后冠及亞、季軍的名貴珠寶首飾
- 擔任2005年亞洲小姐的獨家珠寶贊助商
- 擔任廣州「2005美在花城」選美活動的珠寶贊助商
- 擔任孫燕姿小姐2006年1月演唱會的冠名贊助商
- 參與上海、深圳及香港等地的多個國際珠寶展覽
- 多年來贊助溫哥華及多倫多的華裔小姐選舉
- 擔任主要電視台的多個遊戲節目的獎品贊助商。

六福亦參與上海、深圳及香港等地的多個大型展覽及國際珠寶展覽：

- 香港工展會 • 上海
- 於深圳高交會展覽中心舉辦之「第六屆深圳國際珠寶展覽會」

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- “Hong Kong Jewellery, Clock and Watch Fair” at the Hong Kong Convention and Exhibition Centre (September 2005)
- The 40th Hong Kong Brands & Products Expo at the Victoria Park
- Roadshow/Exhibition at the Jusco-Tseng Kwan O East Point City Story

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 targeting mature and premium customers overseas.

- 於香港會議展覽中心舉辦之「香港珠寶鐘錶展」(於2005年9月)
- 於維多利亞公園舉辦之第40屆香港工展會
- 將軍澳東港城吉之島展銷會

本集團亦籌辦及參與多個宣傳活動：

- 「殿堂級創意典範」—於12月舉行的雞尾酒會及時裝表演，以展示本集團的獲獎珠寶
- 積極參與DTC Forevermark的宣傳活動
- 在重要節日，如母親節、聖誕節、農曆新年及情人節進行大型宣傳活動
- 在不同媒體頻道推出新宣傳
- 參與世界黃金協會、國際鉑金協會及大溪地珍珠國際宣傳協會舉辦的大型聯合宣傳活動

品牌管理

本集團於本年度榮獲廣州日報的「港澳優質誠信商號」及「我至喜愛香港十大名牌」的榮銜，顯示本集團廣受中國大陸顧客的歡迎。本集團亦獲福布斯選為亞洲及太平洋區200間最佳中小型企業(每年營業額於十億美元以下)之一。本集團是唯一一間獲此殊榮的珠寶零售商，入選可鞏固本集團於珠寶業的優越地位，突顯本集團的高質素企業管理及持續增長。

六福亦將產品系列多元化，以拓展其市場。除「六福」品牌外，本集團亦建立針對年輕人市場的「Ice g.」品牌。此品牌的產品設計新穎，手工精緻，深受顧客喜愛。此外，將於本年後期成立的新品牌「Luvina Jewelers」是本集團新制定的多品牌策略，主要對象為海外較成熟及高消費的顧客。



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Production

In order to attain cost effectiveness and production efficiency, a portion of the gold ornaments and gem-set jewellery will be produced in its production facilities in Hong Kong and the PRC. The production facility in Panyu, Guangdong, the PRC has also enhanced the Group's production capacity, bringing to the Group a higher efficiency in manufacturing jewellery. The Panyu 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 via internet product samples and purchasing jewellery 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:



朱慧安
國際鉑金協會
殿堂級代表作品
[江]
Chu Wai On
Platinum Guild
International Jewellery
Masterpiece
"Jiang"



朱慧安
最受歡迎獎
最受歡迎組
[舞曲]
Chu Wai On
Buyer's Choice Winner
Buyer's Choice Group
"The Rhapsody"



朱慧安
冠軍
珍珠串
[赫]
Chu Wai On
Champion
Pearl Row
"Banquet"

生產

為增加成本效益及生產效率，本集團部份黃金裝飾品及鑽石首飾將在香港及中國生產設施生產。中國廣東省番禺的生產設施亦加強了本集團的生產能力，提高了本集團生產珠寶的效率。番禺製造廠的建築總面積超逾300,000平方呎，已於2004年第四季投入運作。

網站業務

本集團的珠寶網站「www.jewellworld.com」或「www.jw28.com」為通向國際珠寶業的電子門檻。網站不僅為全球珠寶製造商、批發商及零售商之間的業務交易平台，亦可額外為本集團宣傳及作為本集團的分銷渠道。因此本集團相信，從網頁瀏覽產品樣版及購買珠寶已日趨普遍，並將帶來龐大商機。

成就 設計

為緊貼市場及珠寶的發展，本集團不斷挑戰珠寶設計的界限。我們創意無窮的設計充滿無限熱情與誠意，在多個設計比賽中屢獲獎項及認同，其中包括：

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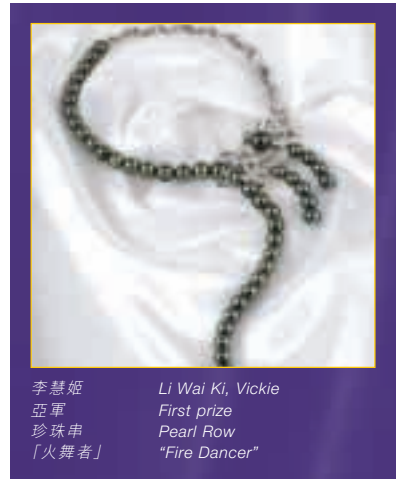
李慧姬
冠軍
三件套裝
「偶遇」

Li Wai Ki, Vickie
Champion
Parure
"The Fate"



蔡玉如
冠軍
項鍊
「刹那」

Tsoi Yuk Yu, Winny
Champion
Necklace
"Jiffy"



李慧姬
亞軍
珍珠串
「火舞者」

Li Wai Ki, Vickie
First prize
Pearl Row
"Fire Dancer"

- 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
Best of the Best Award: "Dandelion"
Bangle and Bracelet Section: "Meet" and "Part"
Earrings Category: Bronze Award – "Fire"
Earrings Category: Gold Price – "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"
- 國際鉑金協會殿堂級代表作品：江
- 足金首飾設計比賽2006
最受歡迎組：最受歡迎獎－「舞曲」
- 第四屆國際大溪地珍珠首飾設計比賽
項鍊組：冠軍－「刹那」
三件套裝組：冠軍－「偶遇」
珍珠串組：冠軍－「囍」
珍珠串組：亞軍－「火舞者」
戒指組：季軍－「點滴回憶」
- 第七屆最受買家歡迎首飾設計比賽
專業大獎：「蒲公英」
手鐲及手鍊組：冠軍－「聚散」
耳環組：季軍－「熊熊烈火」
耳環組：冠軍－「蒲公英」
- 第七屆香港珠寶設計比賽
項鍊／手鐲組：工藝技術獎：「維港」
項鍊／手鐲組：優異獎－「閃亮的港灣」
項鍊／手鐲組：優異獎－「熱帶雨林」
其他類別：優異獎－「魔鏡」
戒指組：優異獎－「Lolita」

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廖慧怡
季軍
戒指
「點滴回憶」
Liu Wai Yi, Guri
Second Prize
Ring
"Drops of Memories"



蔡玉如
專業大獎
耳環：冠軍
「蒲公英」
Tsoi Yuk Yu, Winny
Best of the Best Award
Earrings: Gold Prize
"Dandelion"



朱慧安
冠軍
手鐲及手鍊
「聚散」
Chu Wai On
Gold Prize
Bracelet
"Meet & Part"

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 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. The honour could undoubtedly raise customers' confidence in purchasing Luk Fook's jewellery.

Customer Service

Customer service is always an essential element to the success of Luk Fook. In this regard, Luk Fook has gained numerous awards during the year.

本集團將繼續在市場推出新產品，為顧客帶來更多設計創新的珠寶。

質量保證

本集團旗下全資附屬公司「中華珠寶鑑定中心」於1996年成立，目的為保障每件產品的質量均保持高水準。中華珠寶鑑定中心提供的服務範圍包括鑽石鑑定、評級，以及翡翠及有色寶石的鑑定及珠寶質量的評估。中心僱有多名具備專業資格及豐富經驗的認可寶石鑑定師，每年平均測試超過100,000件珠寶及寶石。中心去年獲香港認可處頒發ISO 17025認證，於今年繼續為進行寶石(硬玉)測試的認可化驗室，並符合ISO9001:2000品質管理系統的準則。現時，本集團為香港唯一一間獲取有關資格的珠寶零售商。此殊榮無疑可提高顧客於六福珠寶購買首飾的信心。



客戶服務

優質客戶服務一向是六福的致勝之道。六福於本年度在此方面獲得多個獎項。

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區綺華
季軍
耳環
「熊熊烈火」
Au Yee Wa, Evelyn
Bronze Prize
Earrings
"Fire"



區綺華
工藝技術獎
項鍊／手鐲
「維港」
Au Yee Wa, Evelyn
Craftsmanship and
Technology Award
Bracelet/Necklace
"Victoria Harbour"



李慧姬
優異獎
項鍊／手鐲
「閃亮的港灣」
Li Wai Ki, Vickie
Merit Award
Bracelet/Necklace
"Sparkle night"

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.

Providing excellent customer service always tops our priority list. The group is dedicated to provide highly professional and quality service. The Group is proud of every award gained from the communities of Hong Kong and the PRC as all these acknowledgments are undeniably a significant recognition of our services.

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\$159 million) 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.

本集團獲香港中華廠商聯合總會及香港品牌發展局合辦「香港服務名牌選舉」選為「最具潛質服務品牌」的唯一一個珠寶品牌。本集團亦榮獲香港零售管理協會頒發的「2005香港工商業獎：顧客服務優異證書」。

本集團以提供優質客戶服務為首要任務，盡心提供專業及卓越服務。香港及中國各界所頒發的每項獎項是本集團的服務質素獲得認同的最佳證明，本集團對此深感驕傲。

財務回顧

流動資金及財務資源

本集團的主要業務是金飾及珠寶零售。截至2006年3月31日，本集團的銀行結存及現金約達109,000,000港元（2005年：131,000,000港元）。本集團之年終資本負債比率為23.9%（2005年：23.9%），此乃按總負債約171,000,000港元（2005年：159,000,000港元）相對股東權益總額約715,000,000港元（2005年（重列）：664,000,000港元）之比例計算。

本集團之收支項目主要以港元列值。

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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.

資本性開支

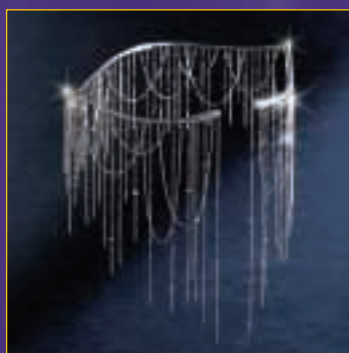
於回顧年內，本集團之資本性開支約為34,000,000港元(2005：82,000,000港元)，包括租賃物業裝修、傢俬、裝置及設備成本。

或然負債

本集團於2006年3月31日並無任何重大或然負債(2005年：無)。

招聘、培訓、發展及薪酬策略

截至2006年3月31日，本集團的員工數目約為1,726人(2005年：1,550人)。管理層定期檢討及制定薪酬政策。薪酬待遇乃經考慮市場相若水平後釐定。花紅及其他表現獎賞則與本集團及個別員工的表現掛鈎。此政策旨在以酬金獎賞提升員工之工作表現。



蔡玉如
優異獎
項鍊/手鐲
「熱帶雨林」
Tsoi Yuk Yu, Winny
Merit Award
Bracelet/Necklace
"Rain Forest"



朱慧安
優異獎
其他類別
「魔鏡」
Chu Wai On
Merit Award
Others
"Mirror Flakes"



蔡玉如
優異獎
戒指
「Lolita」
Tsoi Yuk Yu, Winny
Merit Award
Ring
"Lolita"