



LAU Luen-hung, Thomas
Managing Director
劉鑾鴻
董事總經理

Managing Director's Message

董事總經理報告

Fortify Leadership in Hong Kong with Great Strides in China

鞏固香港領導地位 積極開拓中國市場

2006 saw another successful year for Lifestyle International, during which we were not only able to reaffirm the solid foundations of our existing stores but also to make progress in terms of our expansion plans in China.

Built on our firm foundation, the Group delivered record results in 2006. We are optimistic of retaining our leading position in the department store segment in Hong Kong and of attaining a similar position in our new markets.

SOGO in Causeway Bay ("SOGO CWB"), the Group's flagship store in Hong Kong, continued to contribute solidly to the Group's sales and profits in 2006, while SOGO in Tsimshatsui ("SOGO TST") succeeded in building its own strong following in its first full year of operation. Jiuguang Store also excelled, contributing to the Group's revenue ahead of target. While we are satisfied with the performance of our existing stores, we are not complacent. With much anticipation, we announced two new projects in December, one in Suzhou and another in Shenyang, marking an important step in our PRC growth plan.

I am pleased to report that for the year ended 31st December, 2006, the Group recorded increases of 21% in sales proceeds, 21% in turnover and 37% in net profit as compared to the previous year. The Board has recommended the payment of a final dividend of HK cents 21.0 in cash per share.

二零零六年為利福國際再創斐然成績的一年。本集團在年內不僅鞏固現有百貨店之穩固根基，亦同時在開拓中國業務方面取得長足進展。

建基於本集團堅實的基礎，利福國際於二零零六年創下理想佳績。本集團充滿信心能維持香港百貨業之領導地位，並致力於新市場也成為業內翹楚。

本集團在香港的旗艦店銅鑼灣崇光（「銅鑼灣店」）於二零零六年繼續為本集團帶來堅實的銷售額及盈利貢獻，尖沙咀崇光（「尖沙咀店」）則於首個全年營運年度已建立忠實的顧客群。久光百貨亦表現卓越，為本集團帶來可觀銷售額，超越預期目標。儘管本集團滿意現有店舖之營運表現，但我們不會滿足於現狀。本集團於十二月公佈蘇州及瀋陽之兩項新項目，為本集團的中國拓展計劃邁出成功一步。

本人欣然宣佈截至二零零六年十二月三十一日止年度之業績，銷售所得款、營業額及純利分別較去年增加21%、21%及37%。董事局建議派付現金末期股息每股21.0港仙。

In Hong Kong, both SOGO CWB and SOGO TST have performed well, benefiting from a positive retail environment. Overall consumer purchasing power has grown along with an improving employment market and increasing inbound tourist numbers. The booming stock market in the latter part of the year additionally boosted consumer confidence and retail spending.

The success of SOGO CWB is not only a matter of its landmark location but also the execution capability of the management team in terms of providing a different shopping experience for our customers. This includes customer retention initiatives such as lifestyle and leisure services and programs at our SOGO CLUB plus the recent opening of our premium Japanese restaurant Wa-San-Mai, all under one roof.

With just over one year of operation, SOGO TST has been well received by customers and has become one of the more popular shopping destinations on the Kowloon Peninsula, targeting young and fashionable consumers.

Overall, we are satisfied with the results for 2006, with our market share in Hong Kong continuing to increase, reaching 2.1% of total retail sales and 20.3% of department store sales. In addition, we continued to outpace the Hong Kong industry average by posting a 17.0% sales growth in Hong Kong as compared with the 8.1% growth in department stores sales in the territory and the 7.3% growth in overall retail sales.

Through our Jiuguang Store in Shanghai, we have made a successful entry into the mainland market and we are gradually shaping the lifestyle of consumers in Shanghai in a positive way by offering them a new, enjoyable, quality shopping experience. After two years of operations, we have proved our vision of becoming a store of choice in Shanghai. Both traffic and sales numbers have grown fast, with average traffic volume increasing 21.9% and gross sales increasing 48.5% in 2006 as compared to the previous year.

香港方面，受惠於利好的零售環境，銅鑼灣店及尖沙咀店均有卓越表現。隨著就業市場轉好及訪港旅客人數與日俱增，整體消費力越趨強勁；下半年股市暢旺，也進一步加強消費者信心及消費力。

銅鑼灣店的佳績不僅歸功於其黃金地段地標的位置，管理層致力為顧客提供嶄新購物體驗亦功不可沒，此外，集團推出多項宣傳推廣活動吸引顧客，例如SOGO CLUB為客戶提供富生活品味及悠閒的服務與節目，以及新開業之高級日本餐廳和三味，讓顧客盡享一站式服務。

尖沙咀店開業剛逾一年已贏盡顧客歡心，成為九龍區最受年輕時尚顧客歡迎的購物熱點之一。

總括而言，本集團對二零零六年之業績非常滿意，我們在香港的市場佔有率持續上升，銷售額分別佔全港零售業銷售總額及百貨店銷售額的

2.1%及20.3%。此外，本集團在香港錄得17.0%的銷售額增幅，繼續超越香港同業平均水平，年內百貨店銷售額及整體零售業銷售額分別錄得8.1%及7.3%的增幅。

本集團透過開設上海久光百貨進軍大陸市場，成功取得優秀業績，集團為當地顧客提供嶄新、愉快的優質購物體驗，逐漸提升上海消費者的生活品味。開業兩年後，我們達成目標，使上海久光百貨成為當地

消費者的首選百貨店。上海久光百貨的人流及銷量均迅速上升，二零零六年之平均人流及銷售總額分別較去年上升21.9%及48.5%。

Through Jiuguang Store in Shanghai, we are gradually shaping the lifestyle of consumers in Shanghai in a positive way

本集團透過開設上海久光百貨，逐漸提升上海消費者的生活品味

In order to pursue our stated expansion strategy and plans for growth, we will increase our investments in an aggressive yet cautious manner in the Mainland. We believe that our knowledge, experience and proven success in the department store industry can be extended to enable us become an outstanding operator of other retailing formats and related commercial operations.

While many cities in China have benefited tremendously from the strong economic growth in the past decade, there are certainly many other cities, especially non-coastal ones, which are trying to catch up. At present, people in many parts of China often travel long distances to well developed areas for a better shopping experience. We are now going to bring our shopping experience right to their doors.

The city of Suzhou has the highest GDP per capita among the cities in Jiangsu province. Located in the CRD (Central Retailing District) of Suzhou, our project will encompass a Jiuguang store with entertainment features and will provide approximately 168,000 square meters of gross floor area (GFA). This project will be able to capture consumers from the entire hinterland of Suzhou and surrounding cities, with a total population of more than 6 million.

Shenyang, the capital city of Liaoning province, is the largest and most economically vibrant city in Northeast China. Our project is located in Zhongjie Lu, one of the two busiest shopping areas in Shenyang, on what is said to be the first pedestrian shopping street in China. When completed, our project will provide 320,000 square meters of GFA, comprising a department store, a shopping and entertainment complex, hotels and other commercial facilities.

Just as we remain confident that sales and traffic growth at our Jiuguang Store will continue to accelerate, we can anticipate with some assurance that our new projects in Suzhou, Shenyang and other markets will be as successful, if not more so, bringing us healthy and sustainable returns on our investments.

為推進我們的業務擴充策略及增長計劃，本集團將積極而審慎地增加內地的投資。本集團深信憑藉我們對百貨業的專業知識、經驗及成功往績，定可發展為其他零售形式及相關商業業務之出色營運商。

儘管中國多個城市於過去十年受惠於強勁經濟增長，然而，仍有許多其他城市（特別是非沿海城市）有待趕上。目前，中國多個地方之市民往往需要長途跋涉前赴經濟發達地區，方能享受較優質的購物體驗，因此，本集團覷準此時機，計劃將我們優越的購物體驗帶給其他地區的顧客。

蘇州市為江蘇省人均國民生產總值最高之城市。

本集團之項目位處蘇州零售心臟地帶，將發展成為備有娛樂設施的久光百貨，總樓面面積約168,000平方米，此項目將能奪得整個蘇州及毗鄰城市總人口逾6,000,000人之零售市場。

作為遼寧省首府，瀋陽市為中國東北最大及經濟發展最蓬勃的城市。本集團項目位處瀋陽兩個最繁忙購物地區之一的中

街路，是中國首條步行街。項目落成後，將提供320,000平方米之總樓面面積，項目包含百貨店、購物及娛樂綜合大樓、酒店及其他商業設施。

本集團深信久光百貨的銷售額及人流增長將持續增加，我們也有信心蘇州、瀋陽及其他市場之新項目也將取得斐然成績，為本集團投資帶來穩健而持續的回報。

Our new PRC projects going forward will be of a bigger scale, and consist of new and different lifestyle formats

未來我們的新項目規模將更大，提供新穎且與別不同的零售模式

Looking ahead, the Group will act to maintain its market leadership in Hong Kong while focusing on our aggressive expansion plans in the PRC. We are going to reinforce Jiuguang's brand value by rolling out this branding to our other new projects, which will be of a bigger scale going forward and will not only feature our traditional department store but also consist of new and different lifestyle formats as it is our intention to make each of our projects a retailing focal point for its area. This move will inevitably create new challenges for the management of Lifestyle International, but it will nevertheless give the Group greater flexibility to be able to provide our customers with a truly unique, complete and fulfilling shopping and entertaining experience where all their lifestyle needs can be satisfied in one location.

China's economy and retail market will continue to grow at a healthy pace and we plan to keep a portfolio of new projects under negotiation, which we target to yield new developments each year. We believe this will help grow the Group's operating area significantly that will lay a solid foundation for our growth in the next decade. Under such a strategy, we believe the Group will become a major PRC retailing player in future.

When comparing the retail market in Hong Kong with the PRC, we believe that the long term growth prospects for Hong Kong will remain positive, even if not as expansive as the PRC. While we remain conservatively optimistic about the retail industry in Hong Kong, there are underlying concerns and challenges such as surging labor and other operating costs that might impact on profit margins. Management will continue to implement effective cost control and other measures to mitigate these factors.

Our success is the result of the efforts of our staff and the support of our shareholders, business partners and customers. On behalf of the board, I wish to thank them for their very important contributions in 2006. With their continued support and encouragement, we are confident and ready to meet the challenges and seize the opportunities which lie ahead.

LAU Luen-hung, Thomas
Managing Director

27th February, 2007



展望未來，本集團專注積極拓展中國業務的同時，將繼續鞏固香港市場之領導地位。本集團將透過發展新項目，進一步推廣久光的品牌。未來我們的新項目規模將更大，除了設有久光百貨之外，亦提供新穎且與別不同的零售模式，旨在將每個項目發展為區內的零售熱點。此發展方向無疑為利福國際管理層帶來新挑戰，但會提供本集團更大彈性而能為顧客提供集獨特、包羅萬有及優質購物與娛樂於一身的消閒新體驗。

中國經濟及零售市場將繼續穩健增長，本集團將繼續新發展項目的磋商，目標是每年均能落實新的項目。本集團深信，此舉有助大大增加本集團的營運面積，為本集團未來十年之業務增長奠定堅實基礎。憑藉此策略，深信本集團將成為中國零售業的領導者。

相對中國零售市場而言，本集團相信，儘管香港之增長前景未如中國強勁，惟長遠前景仍然非常樂觀。本集團對香港零售業抱持審慎樂觀態度，惟勞工及其他營運成本上漲等相關因素及挑戰或會對邊際利潤構成影響。管理層將繼續推行有效成本控制及其他措施以減低此等因素之影響。

本集團的成功有賴員工不懈的努力，加上股東、業務夥伴及顧客的鼎力支持。本人謹代表董事局答謝彼等於二零零六年作出之寶貴貢獻。憑藉彼等的長久支持及鼓勵，本集團充滿信心並已準備就緒迎接未來的挑戰、抓緊日後的商機。

董事總經理

劉鑾鴻

二零零七年二月二十七日