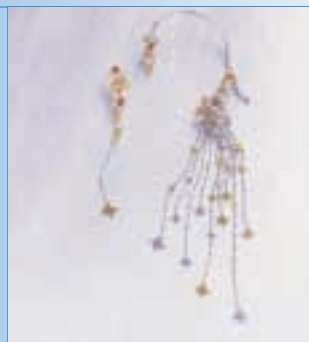
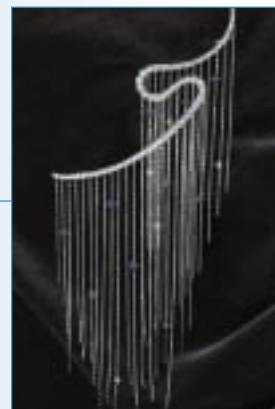




"The 5th Hong Kong Jewellery Design Competition" 2004
Merit Awards:
Pendant Category - "Fancy Dew"
「第5屆香港珠寶設計比賽」2004優異獎：
吊咀 — 「彩露」



"The 5th Hong Kong Jewellery Design Competition" 2004 Merit Awards:
Earrings Category - "Thousand Stars"
「第5屆香港珠寶設計比賽」2004優異獎：
耳環 — 「滿天星」



"The 5th Hong Kong Jewellery Design Competition" 2004 Merit Awards:
Brooch Category - "S.cascade"
「第5屆香港珠寶設計比賽」2004優異獎：
襟針 — 「瀑布」

INDUSTRY REVIEW

Consumer spending has progressively recovered from the setback of SARS in Hong Kong. In part due to a strong increase in the number of mainland visitors fuelled by "Individual Visit Scheme" implemented by the PRC central government. The acceptance of RMB Union Pay Card in Hong Kong allowed the mainland visitors to indulge in shopping without worries. According to the Hong Kong Trade Development Council, tourist arrivals rebounded by 5.8% in the latter half of 2003 after a 57.9% decrease in the second quarter. Tourist arrivals increased by 8.4% in the first two months of 2004. The retail market of both Lunar New Year Holidays and Golden Week are highly rewarded. Gold and jewellery are all time favorite shopping items of mainland tourists.

In addition, retail sales volume grew by 7.3% in the first three months of 2004. Also, labour market conditions have improved, with the unemployment rate falling from a record high of 8.7% in the three months ended July 2003 to 7.1% April 2004. The Composite Consumer Price Index (CCPI), which covers 90% of households, however fell by 2.6% in 2003 and 1.7% in the first four months of 2004.



行業回顧

隨著非典型肺炎疫情減退後，加上「自由行」的放寬使訪港旅客大增，旅客的消費亦相繼提高。同時，內地遊客可在港使用銀聯人民幣付款卡簽賬，增加內地遊客的消費額。根據香港貿易發展局數字顯示，訪港旅客次數繼2003年第二季下跌57.9%後，於2003年下半年反彈至5.8%的上升。於2004年首兩個月，訪港旅客次數更增加8.4%。金飾及珠寶向來都是內地遊客來港購物的必買品，龐大需求為春節假期及黃金週的零售市道帶來可觀的回報。

另外，零售業務總額於2004年首三個月增長7.3%。勞工市場就業情況亦得以改善，失業率由截至2003年7月的三個月錄得記錄性高位8.7%下調至於2004年4月的7.1%。但覆蓋90%家庭的綜合消費物價指數，卻於2003年及2004年首四個月分別下跌2.6%及1.7%。

12 The continuous growth of the PRC economy boosted the demand for luxury products such as gold and diamond. Following the Zero Tariffs came under the “Closer Economic Partnership Agreement”, the Group can further penetrate into the PRC jewellery market through its advanced technology, quality products and well-trained staff.

中國經濟持續增長帶動奢侈消費品如金飾及鑽石的需求。隨著「更緊密經貿關係安排」的落實，珠寶金飾獲得零關稅優惠，集團憑藉其先進科技、高品質產品及優秀員工等優勢，將進一步滲透國內的珠寶市場。

REVIEW OF 2003/2004 BUSINESS STRATEGIES

The expansion of the local, PRC and overseas markets has contributed an increment for the Group’s turnover. During the year under review, the Group has opened 2 retail outlets in Hong Kong and also set up the first outlet in Shenzhen. To expand its international market, the Group also established 2 retail outlets in Toronto and Vancouver, Canada.

2003/2004業務策略回顧

本地、國內及海外市場之擴展使本集團的營業額錄得增長。於回顧年內，集團於香港開設2間新分店及於深圳開設了首間分店。為進一步開拓海外市場，集團亦於加拿大多倫多及溫哥華開設2間新分店。

Gold and Jewellery Operation

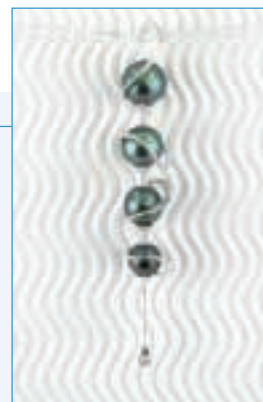
During the year under review, the increasing gold price brought by the warfare in the Middle East has discouraged the local gold buyers. However, the mainland tourists are less sensitive to the gold price and thus demand from them did not decrease. Therefore, the increasing gold price has not much influence on the Group.

金飾及珠寶首飾業務

回顧年內，中東戰局緊張令金價上揚，削弱本地市民對金飾的購買意欲。相反，由於內地遊客對金價的敏感度較低，金飾需求不致下跌。因此，金價攀升對集團的業務影響不大。



“Tahitian Pearl Trophy 2003”
Parure Category : 2nd runner-up – “Wavelet”
[2003年國際大溪地珍珠首飾設計比賽]
三件套裝組：季軍 — 「浪花朵朵」



“Tahitian Pearl Trophy 2003”
Pendant Category : Winner – “Shimmer”
[2003年國際大溪地珍珠首飾設計比賽]
吊墜組：冠軍 — 「鱗光」



“Tahitian Pearl Trophy 2003”
Earrings Category : Winner – “Water Screen”
[2003年國際大溪地珍珠首飾設計比賽]
耳環組：冠軍 — 「水簾」

During the year under review, the Group launched various new products into the market so as to suit the needs and taste of different customers. New products include:

- “Baimo” pendant collection specially designed for Christmas. Each pendant is produced by trendy baimo with different colour, including natural pink, pearl white or malachite green together with sparkling diamond on top
- Gold ornaments with Year of the Monkey as the theme. Cute figures like “甜甜小寶”、“進寶金猴” and “招財金猴” etc were produced
- Lovers’ rings from Ice g. Company specially designed for Valentine. Each ring comprised exquisite round-shaped and square-shaped diamonds. The trendy and simple design collection created romantic atmosphere for lovers
- Gold jewellery encrusted with pearl and jade especially designed for Mother’s Day

Innovative designs

The Group’s designs gained applauses in numerous local and overseas design competitions, including:

- “Tahitian Pearl Trophy 2003”
Cultural Fusion Award : “Dragon”
Brooch Category : Winner – “Chopsticks”
Pendant Category : Winner – “Shimmer”
Earrings Category : Winner – “Water Screen”
Earrings Category : 1st runner-up – “Flow”
Parure Category : 2nd runner-up – “Wavelet”
- “The 5th Hong Kong Jewellery Design Competition” 2004
Best of Show Awards:
Earrings Category – “Blissful Jump”
Necklace Category – “Rebirth”

Merit Awards:
Watch Category – “Sunflower”
Ring Category – “Dance”
Earrings Category – “Thousand Stars”
Brooch Category – “S.cascade”
Pendant Category – “Dream” and “Fancy Dew”

回顧年內，本集團推出了多款新產品來配合市場需要及顧客的不同口味。產品包括：

- 為聖誕節而設的貝母吊墜系列，以天然的粉紅、珍珠白或孔雀綠等幻彩不一的潮流貝母再配上閃爍璀璨的鑽石
- 以猴年為主題，推出多款以Q版造型設計的足金擺件，有「甜甜小寶」、「進寶金猴」及「招財金猴」等
- Ice g.專門店為情人節特別設計了多款情侶戒指，設計各有特色，每款均以精選優質圓鑽或方鑽鑲嵌而成，線條簡約而不落俗套，為愛侶增添節日浪漫氣氛
- 一系列為母親節而設、設計精美的足金鑲珍珠及翡翠首飾

創新設計

集團的設計更於多個本地及國際設計大賽中勇奪多項殊榮，包括：

- 「2003年國際大溪地珍珠首飾設計比賽」
亞洲文化演繹大獎：吊墜「龍」
胸針組 : 冠軍 — 「Chopsticks」
吊墜組 : 冠軍 — 「鱗光」
耳環組 : 冠軍 — 「水簾」
耳環組 : 亞軍 — 「Flow」
三件套裝組 : 季軍 — 「浪花朵朵」
- 「第5屆香港珠寶設計比賽」2004
大獎：
耳環組 — 「喜躍」
項鍊組 — 「重生」

優異獎：
錶鐲組 — 「戀日」
戒指組 — 「蝶映」
耳環組 — 「滿天星」
襟針組 — 「瀑布」
吊咀組 — 「奇妙樂園」及「彩露」

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- “Chuk Kam Jewellery Design Competition 2004”
K-gold Group : Winner – “Dragon & Phoenix”
Buyers’ Choice : Winner – “Pearl of Dragon”
Group
- DTC “Diamond : Natural’s Miracle” International Design
Competition Award
Hong Kong Award : Necklace “Lava”
Winning Piece

Brand Building

Branding is undoubtedly important for the long-term development of the Group. The Group dedicates to promote its trade name of “Luk Fook Jewellery” in the Hong Kong, PRC, and overseas markets.

The Group sponsored various public activities during the year, including:

- Concerts of Hong Kong Harbour Fest held on 26, 30 and 31 October 2003
- Diamond crown and some jewellery pieces for the winners of the Miss Hong Kong Beauty Pageant for six consecutive years
- “Live with the Hong Kong Sinfonietta” Concert of Andy Hui and William So
- Movie “Golden Chicken II” product placement

The Group also organized and participated in numerous promotional activities, including:

- “Luk Fook EPS Super Reward Programme” for the Group’s 12th anniversary celebration. Prizes included 5% cash rebate, jewellery, cosmetic and skin care products
- “八寶袋” were distributed during the National Day and Golden Week

- 「足金首飾設計比賽2004」
K金組獎 : 套裝 — 「龍、鳳」
最受歡迎組獎 : 套裝 — 「龍珠」

- DTC「鑽石：大自然的奇蹟」國際鑽飾設計大賽
香港優勝作品 : 頸鏈「幔燃」

品牌的建立

品牌的建立對於集團的長遠發展極其重要。於回顧年內，集團銳意提高「六福珠寶」於香港、國內及海外的知名度。

本集團於回顧年內贊助了各種不同的公開活動，包括：

- 贊助2003年10月26、30及31日三場「維港巨星匯」演唱會
- 連續第六年贊助香港小姐冠軍的鑽石后冠及冠亞季軍的名貴珠寶首飾
- 贊助許志安及蘇永康的「安康演唱會」
- 贊助電影「金雞II」

本集團於回顧年內舉辦及參與了多項活動，包括：

- 慶祝六福集團成立12週年紀念，舉辦「六福EPS即買即賞無限獎」，獎品包括5%現金回贈、珠寶首飾、化妝品及皮膚護理產品
- 於國慶及黃金週派發「八寶袋」作宣傳推廣



- PRC Tourist VIP Card
- “Boost up Hong Kong Economy, 5% Cash rebate” (“振興香港5%現金回贈”) organized by the Hong Kong Jewellers’ and Goldsmiths’ Association and the Kowloon Jewellers’ and Goldsmiths’ Association
- “Hong Kong Super Draw” organized by the Hong Kong Tourism Board
- Seasonal promotional activities included Mother’s Day, Christmas, Chinese New Year and Valentine’s Day;
- Various large-scale road shows including:
 - Hong Kong International Jewellery Fair at the Hong Kong Convention and Exhibition Centre
 - Shenzhen International Jewellery Fair at the China Hi-Tech Fair Exhibition Centre, Shenzhen
 - Jewellery Expo Shanghai 2003 at the Shanghai Exhibition Centre
 - The 11th Hong Kong International Jewellery Manufactures Exhibition at the Hong Kong Convention and Exhibition Centre
 - The 12th Anniversary of Jewellery and Ornaments Manufactures Exhibition at New Town Plaza, Shatin
- 提供「旅遊貴賓卡」予內地遊客
- 參與由香港珠石玉器金銀首飾業商會及九龍珠石玉器金銀首飾業商會舉辦的「振興香港5%現金回贈」
- 參與由香港旅遊發展局主辦之「勁享勁賞大抽獎」
- 於重要節日如母親節、聖誕節、農曆新年及情人節舉辦大型宣傳推廣活動
- 參與多項大型展銷會，包括：
 - 於香港會議展覽中心舉辦的「香港國際珠寶鐘錶展」
 - 於深圳高交會展覽中心舉辦的「深圳國際珠寶展覽會」
 - 於上海展覽中心舉辦的「上海2003年國際珠寶首飾博覽會」
 - 於香港會議展覽中心舉辦的「第11屆香港國際珠寶廠商展覽會」
 - 於沙田新城市廣場舉辦的「六福集團12週年珠寶首飾展覽會」



- The Charming Diamond Trade Fair at Jusco in Kornhill

- 於康山吉之島舉辦的「綻發鑽飾魅力展銷會」

Quality Assurance

“China Gems Laboratory Limited”, the Group’s subsidiary, had tested and issued quality certificates for over 100,000 pieces of jade products. In recent years, the Group has introduced advanced equipments for the testing and issuance of certificates for diamonds and gemstone jewellery. The objective is to ensure that every piece of the Group’s products come with an identification certificate, which could raise the confidence of our customers towards the Group’s products and the market competitiveness.

Cost Control

The rental costs represented approximately 3.3% of the Group’s turnover for the year under review. The Group continues to obtain favorable rates from landlords this year. Negotiations with other landlords on rental issues are in active progress. Advertising and promotion expenditures represented approximately 1.2% of the turnover.

Securities Operation

During the year under review, the Group ceased its securities operation, with a target to re-engineer its resources and to focus on the development of its core business of jewellery operation.

Portal Operation

The Group believes that jewellers around the world will use the jewellery portal more frequently to view samples and purchase jewellery in order to streamline their operation procedures. It undoubtedly represents significant business potential for the Group’s jewellery portal.

品質保證

集團的附屬機構，中華珠寶鑑定中心，自成立以來為集團測檢及簽發鑑定證書的玉器至今已超過100,000件。近年更引入先進的儀器為鑽石及寶石飾物作測檢及簽發證書。目標是為集團每件產品附上鑑定證書，增加顧客對集團產品的信心及提高市場競爭力。

成本控制

於回顧年內，本集團的租金成本相等於營業額3.3%，本年度繼續獲得業主的優惠租約，並積極與業主商討租金問題，成功削減開支。廣告及推廣的支出則佔營業額約1.2%。

證券業務

於回顧年內，本集團中止了證券投資，以重整集團資源，使集團業務能專注於珠寶此核心業務。

網站業務

各地的珠寶商為了簡化運作的程序，紛紛利用珠寶網站作為交易平台，集團相信這趨勢將有利網站的發展潛力。

Liquidity and Financial Resources

The Group's core business is gold and jewellery retailing. As at 31st March 2004, the Group's cash on hand reached approximately HK\$73,000,000 (2003: HK\$91,000,000). The Group's debt-to-equity ratio at the year-end, being the proportion of total debts of approximately HK\$120,000,000 (2003: HK \$98,000,000) against total shareholders' equity of approximately HK\$583,000,000 (2003: HK\$531,000,000), was 20.6% (2003:18.5%).

Exposure to Fluctuations in exchange rates and related hedges

The Group's income and expenditure streams are mainly denominated in Hong Kong dollars. During the year the Group had no significant exposure to fluctuations in exchange rates and did not use any related hedges.

Capital Expenditure

During the year under review, the Group incurred capital expenditures of approximately HK\$45,000,000, including the costs of furniture, fixture and equipment for several new jewellery retail shops as well as the construction cost for a manufacturing plant at Panyu of the PRC.

Contingent Liabilities

The Group did not have any significant contingent liabilities at 31st March 2004 (2003: Nil).

Employment, Training, Development and Recruitment Remuneration Policy

As at 31st March 2004, the number of staff of the Group was approximately 700 (2003: 636). 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 employees. The policy is to encourage employees to optimize business performance by providing them with financial incentives.

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2004年3月31日，本集團的手頭現金約達73,000,000港元(2003年：91,000,000港元)，資本負債比率為20.6%(2003年：18.5%)，此乃按總負債約120,000,000港元(2003年：98,000,000港元)及股東權益總額約583,000,000港元(2003年：531,000,000港元)兩者之比例計算。

承受兌換率波動及相關對沖之風險

本集團的收入與支出主要以港元為計算單位，於年內，本集團並無因兌換率波動而承受重大風險，亦並無動用任何相關對沖。

資本性開支

回顧年內，本集團錄得為數約45,000,000港元的資本性開支，包括開設數間珠寶零售店的裝修設備成本及於中國番禺興建製造工廠之成本。

或然負債

本集團於2004年3月31日並無任何重大或然負債(2003年：無)。

招聘、培訓、發展及薪酬策略

截至2004年3月31日，本集團的員工數目約700人(2003年：636人)。管理層定期檢討及制定薪酬策略時，會考慮及比較市場上的各種因素。花紅及其他表現獎賞則與集團及個別員工的表現掛鉤。此政策的實行，是為了以酬金獎賞提升員工工作表現。