

Directors' Report

董事局報告

The directors of the Company present their annual report and the audited financial statements for the year ended 31st December, 2005.

Principal activities

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are the operation of "lifestyle" department stores. Particulars of the Company's principal subsidiaries are set out in note 38 to the financial statements.

Results and appropriations

The results of the Group for the year ended 31st December, 2005 (the "Year") are set out in the consolidated income statement on page 51.

An interim dividend of HK cents 12.5 in cash per share was paid during the Year. The directors now recommend the payment of a final dividend of HK cents 14.4 together with a special dividend of HK cents 3.6 in cash per share, to the shareholders on the register of members on 26th April, 2006, amounting to a total of HK cents 30.5 per share in cash for the year. All the dividend are paid out from the share premium account and the profit for the year amounting to HK\$539,378,000 will be credited against the accumulated losses.

Fixed assets

During the Year, the Group revalued all of its investment properties at the year end date. The net increase in fair value of investment properties amounting to HK\$4,300,000 has been credited directly to the income statement.

The Group continued its leasehold improvements replacement policy and expended HK\$101,947,000 on new leasehold improvements during the Year.

Details of these and other movements during the Year in the fixed assets of the Group are set out in notes 16 and 17 to the financial statements.

Placing and subscription

On 30th August, 2005, the Company entered into a placing and subscription agreement (the "Agreement") with Real Reward Limited, a substantial shareholder of the Company and the placing agent. Pursuant to the Agreement, Real Reward Limited placed through the placing agent 100,000,000 existing shares to independent third parties and in turn subscribed for 100,000,000 new shares of the Company at the same price of HK\$12.55 per share. Completion of the placing and subscription took place on 2nd September, 2005 and 13th September, 2005 respectively. Following completion of the placing and subscription, the number of issued shares has been increased to 847,000,000 shares representing 11.81% of the Company's enlarged issued share capital; and net proceeds of approximately HK\$1,230 million was raised.

本公司之董事謹此提呈其年報及截至二零零五年十二月三十一日止年度之經審核財務報表。

主要業務

本公司主要業務為投資控股，其附屬公司之主要業務則為經營「生活時尚」百貨店。本公司主要附屬公司詳情載於財務報表附註38。

業績及分配

本集團截至二零零五年十二月三十一日止年度（「本年度」）之業績載於第51頁綜合收益表。

於本年度，本公司派付現金中期股息每股12.5港仙。董事現建議向於二零零六年四月二十六日名列股東名冊之股東，就本年度派付現金末期股息每股14.4港仙連同現金特別股息每股3.6港仙，全年股息合共現金每股30.5港仙。所有股息均自股份溢價賬派付，而本年度溢利539,378,000港元將計入累計虧損。

固定資產

於本年度，本集團於年結日重估其所有投資物業。直接計入收益表之投資物業公平值增加淨額為4,300,000港元。

本集團秉持其物業裝修重置政策，並於本年度就新物業裝修耗用101,947,000港元。

有關本集團固定資產於本年度之該等及其他變動詳情載於財務報表附註16及17。

配售及認購

於二零零五年八月三十日，本公司與本公司主要股東Real Reward Limited及配售代理訂立配售及認購協議（「協議」）。根據協議，Real Reward Limited透過配售代理向獨立第三方配售100,000,000股現有股份，並認購100,000,000股本公司新股份，價格均為每股12.55港元。配售及認購已分別於二零零五年九月二日及二零零五年九月十三日完成。於配售及認購完成後，本公司已發行股份數目增加至847,000,000股，相等於本公司經擴大後發行股本之11.81%；而所得款項淨額約為1,230,000,000港元。

Share capital

Details of movements during the Year in the share capital of the Company are set out in note 30 to the financial statements. During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

Directors

The directors of the Company during the Year and up to the date of this report were:

Executive directors:

Mr. Lau Luen-hung, Thomas (Managing Director)
Mr. Doo Wai-hoi, William (appointed on 2nd March, 2005)
Dr. Tong Yuk-lun, Paul (resigned on 2nd March, 2005)

Non-executive directors:

Dató Dr. Cheng Yu-tung (Chairman)
Dr. Cheng Kar-shun, Henry
Mr. Lau Luen-hung, Joseph
Ms. Lau Yuk-wai, Amy

Independent non-executive directors:

Mr. Lam Siu-lun, Simon
Mr. Cheung Yuet-man, Raymond
The Hon. Shek Lai-him, Abraham
Mr. Hui Chiu-chung (appointed on 1st July, 2005)
Mr. Chung Kwok-cheong (retired on 28th April, 2005)

In accordance with Article 86(3) of the Articles of Association (the "Articles") of the Company, Mr. Hui Chiu-chung shall hold office only until the forthcoming annual general meeting of the Company and, being eligible, offer himself for re-election.

In accordance with Article 87 of the Articles of the Company, Mr. Doo Wai-hoi, William and Mr. Lau Luen-hung, Joseph shall retire by rotation and, being eligible, offer themselves for re-election.

The term of office of each non-executive director and independent non-executive director is the period up to his/her retirement by rotation in accordance with the Company's Articles.

Mr. Lau Luen-hung, Thomas and Mr. Doo Wai-hoi, William have entered into service contract with the Company for a fixed term of three years commencing from 1st April, 2004 and 2nd March, 2005 respectively. There is no specific clause in both service contracts providing for the amount of compensation in case of early termination.

Other than as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

股本

本公司股本於本年度之變動詳情載於財務報表附註30。於本年度，本公司或其任何附屬公司概無購買、出售或贖回任何本公司股份。

董事

於本年度及截至本報告日期期間，本公司董事如下：

執行董事：

劉鑾鴻先生 (董事總經理)
杜惠愷先生 (於二零零五年三月二日獲委任)
唐玉麟博士 (於二零零五年三月二日辭任)

非執行董事：

拿督鄭裕彤博士 (主席)
鄭家純博士
劉鑾雄先生
劉玉慧女士

獨立非執行董事：

林兆麟先生
張悅文先生
石禮謙議員
許照中先生 (於二零零五年七月一日獲委任)
鍾國昌先生 (於二零零五年四月二十八日退任)

根據本公司之公司組織章程細則(「章程細則」)第86(3)條規定，許照中先生之任期僅直至本公司應屆股東週年大會，惟合資格並願意膺選連任。

根據本公司之章程細則第87條之規定，杜惠愷先生及劉鑾雄先生須輪值告退，惟合資格並願意膺選連任。

各非執行董事及獨立非執行董事之任期直至彼根據本公司之章程細則輪值告退之日為止。

劉鑾鴻先生及杜惠愷先生已與本公司訂立服務合約，分別自二零零四年四月一日及二零零五年三月二日起計，固定年期為三年。該等服務合約並無載有規定提早終止補償金額之條款。

除上文披露者外，概無擬於應屆股東週年大會膺選連任之董事訂有本集團不作賠償(法定賠償除外)則不可於一年內終止之服務合約。

Directors' and chief executives' interests in shares and underlying shares

As at 31st December, 2005, the interests of the directors and chief executives in the shares of the Company, underlying shares in respect of equity derivatives and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

(1) Long positions in the shares and underlying shares of the Company

董事及行政總裁於股份及相關股份之權益

於二零零五年十二月三十一日，董事及行政總裁於本公司股份、本公司及其相聯法團（定義見證券及期貨條例（「證券及期貨條例」）第XV部）股本衍生工具之相關股份及債券中，擁有根據證券及期貨條例第XV部第7及8分部之規定已知會本公司及聯交所的權益（包括彼等根據證券及期貨條例該等條文被當作或視為擁有的權益及／或淡倉）；或根據證券及期貨條例第352條之規定載入該條所述登記冊之權益；或根據上市規則所載上市公司董事進行證券交易的標準守則須知會本公司及聯交所之權益載列如下：

(1) 本公司股份及相關股份之好倉

Name of director 董事姓名	Nature of interest and capacity 權益性質及身分	Total number of ordinary shares 普通股總數	Total number of underlying shares 相關股份總數	Approximate percentage of interest 概約權益百分比
Mr. Thomas Lau 劉鑾鴻先生	Corporate (Note 1) 公司(附註1)	540,000,000	—	63.75%
	Corporate (Note 2) 公司(附註2)	400,000	—	0.05%
	Beneficial owner 實益擁有人	—	840,000 (Note 3) (附註3)	0.1%

Note 1: United Goal Resources Limited ("United Goal Resources"), which has 50% interest in Real Reward Limited ("Real Reward"), is ultimately owned by Mr. Thomas Lau and a discretionary trust with certain family members of Mr. Joseph Lau as eligible beneficiaries. By virtue of the SFO, Mr. Thomas Lau is deemed to be interested in 540,000,000 shares of the Company held by Real Reward.

附註1: 擁有Real Reward Limited (「Real Reward」) 50%權益之United Goal Resources Limited (「United Goal Resources」) 由劉鑾鴻先生及合資格受益人為劉鑾雄先生若干家屬之全權信託最終擁有，故根據證券及期貨條例，劉鑾鴻先生被視作於Real Reward所持540,000,000股本公司股份中擁有權益。

Note 2: Dynamic Castle Limited ("Dynamic Castle") is wholly owned by Mr. Thomas Lau. By virtue of the SFO, Mr. Thomas Lau is deemed to be interested in 400,000 shares of the Company held by Dynamic Castle.

附註2: Dynamic Castle Limited (「Dynamic Castle」) 由劉鑾鴻先生全資擁有。根據證券及期貨條例，劉鑾鴻先生被視作於Dynamic Castle所持400,000股本公司股份中擁有權益。

Note 3: These interests represent the interests in underlying shares in respect of share options granted by the Company to Mr Thomas Lau as beneficial owners, the details of which are set out in the Section "Details of options granted by the Company" below.

附註3: 該等權益指有關本公司授予劉鑾鴻先生作為實益擁有人之購股權之相關股份權益，有關詳情載於下文「本公司授出購股權之詳情」一節。

Directors' and chief executives' interests in shares and underlying shares (continued)

董事及行政總裁於股份及相關股份之權益 (續)

(2) Interests in the shares of associated corporation

(2) 相聯法團股份之權益

Name of director 董事姓名	Name of associated corporation 相聯法團名稱	Nature of interest and capacity 權益性質及身分	Total number of shares held 所持股份總數	Approximate percentage of interest 概約權益百分比
Mr. Thomas Lau 劉鑾鴻先生	Real Reward	Corporate (Note 1) 公司(附註1)	1	50%
	World First Holdings Limited	Corporate (Note 2) 公司(附註2)	2	100%
	Crystal Key Investment Limited	Corporate (Note 2) 公司(附註2)	1	100%
	Grandville Venture Corp.	Corporate (Note 2) 公司(附註2)	50,000	100%
	Global Centre Investments Limited	Corporate (Note 2) 公司(附註2)	1	100%

Note 1: United Goal Resources, which has 50% interest in Real Reward, is ultimately owned by Mr. Thomas Lau and a discretionary trust with certain family members of Mr. Joseph Lau as eligible beneficiaries. By virtue of the SFO, Mr. Thomas Lau is deemed to be interested in 1 share in Real Reward.

附註1: 擁有Real Reward 50%權益之United Goal Resources由劉鑾鴻先生及合資格受益人為劉鑾雄先生若干家屬之全權信託最終擁有,故根據證券及期貨條例,劉鑾鴻先生被視作於Real Reward 1 股股份中擁有權益。

Note 2: United Goal Resources, which has 50% interest in Real Reward, is ultimately owned by Mr. Thomas Lau and a discretionary trust with certain family members of Mr. Joseph Lau as eligible beneficiaries. World First Holdings Limited, Crystal Key Investment Limited, Grandville Venture Corp. and Global Centre Investments Limited are, either direct or indirect, wholly owned subsidiaries of Real Reward. By virtue of SFO, Mr. Thomas Lau is deemed to be interested in the shares held by Real Reward directly or indirectly in World First Holdings Limited, Crystal Key Investment Limited, Grandville Venture Corp. and Global Centre Investments Limited.

附註2: 擁有Real Reward 50%權益之United Goal Resources由劉鑾鴻先生及合資格受益人為劉鑾雄先生若干家屬之全權信託最終擁有。World First Holdings Limited、Crystal Key Investment Limited、Grandville Venture Corp.及Global Centre Investments Limited為Real Reward直接或間接全資附屬公司,故根據證券及期貨條例,劉鑾鴻先生被視作於Real Reward於World First Holdings Limited、Crystal Key Investment Limited、Grandville Venture Corp.及Global Centre Investments Limited直接或間接持有股份中擁有權益。

All the interests stated above represented long positions. As at 31st December, 2005, the directors and chief executive had no short positions recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

上述全部權益均為好倉。於二零零五年十二月三十一日,本公司根據證券及期貨條例第336條規定存置之登記冊並無記錄董事及行政總裁擁有任何淡倉。

Share option scheme

The Company's share option scheme (the "Scheme") was adopted for a period of 10 years commencing 27th March, 2004 pursuant to a written resolution of the sole shareholder for the purpose of providing incentives or rewards to selected full-time employees and directors for their contribution. Details of the Scheme was subsequently disclosed in the Company's prospectus dated 31st March, 2004.

Under the Scheme, the Company may grant options to selected full-time employees and directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to eligible advisors and consultants to the Company and its subsidiaries at the discretion of the Board of Directors.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders, independent non-executive directors, or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholder or an independent non-executive director or a company beneficially owned by any substantial shareholder or independent non-executive director of the Company) in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5,000,000 must be approved in advance by the Company's shareholders.

Option granted must be taken up within the time limit specified in the offer letter (which shall not be later than 5 days from the date of offer), upon payment of HK\$1 per option. Options may be exercised at any time during a period commencing on or after the date on which the option is accepted and deemed to be granted and expiring on a date to be notified by the Board to each grantee which shall not be more than 10 years from the date on which the option is accepted and deemed to be granted. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

購股權計劃

本公司根據唯一股東之書面決議案採納購股權計劃（「該計劃」），由二零零四年三月二十七日起為期十年，旨在向經甄選之全職僱員及董事就彼等對本集團所作貢獻提供獎勵或獎賞。有關該計劃之詳情其後於本公司日期為二零零四年三月三十一日之售股章程披露。

根據該計劃，本公司可向本公司及其附屬公司經甄選之全職僱員及董事授出購股權，以認購本公司股份。此外，本公司可不時按董事局酌情權向本公司及其附屬公司之合資格顧問及諮詢顧問授出購股權。

如未經本公司股東事先批准，根據該計劃可授出購股權所涉及之股份總數，不得超過本公司於任何時間已發行股份10%。如未經本公司股東事先批准，於任何一年，就任何人士所獲授及可獲授之購股權已發行及將發行之股份數目，不得超過本公司於任何時間已發行股份1%。授予主要股東、獨立非執行董事或彼等各自之聯繫人士（包括全權信託，而有關全權受益人包括主要股東或獨立非執行董事或由本公司任何主要股東或獨立非執行董事實益擁有之公司）超過本公司股本0.1%或價值超過5,000,000港元之購股權，必須經本公司股東事先批准。

授出之購股權須於提呈函件所指定時限（不得遲於提呈日期起計5日）內接納，接納時須就每份購股權支付1港元。購股權可於接納及被視為已授出當日或之後起至董事局知會各承授人屆滿當日止期間內隨時行使，惟由接納及被視為已授出購股權當日起計不得超過10年。行使價由本公司董事釐定，將不低於(i)授出日期本公司股份收市價；(ii)緊接授出日期前五個營業日股份平均收市價；及(iii)本公司股份面值三者之較高者。

Details of options granted by the Company

As at 31st December, 2005, options to subscribe for an aggregate of 6,640,000 shares of the Company which were granted to a director (as disclosed above) and certain full-time employees pursuant to the Scheme remained outstanding, details of which were as follows:

本公司授出購股權之詳情

於二零零五年十二月三十一日，誠如上文所披露，本公司根據該計劃向一名董事及若干全職僱員授出可供認購合共6,640,000股本公司股份且尚未行使之購股權詳情如下：

	Date of grant	Number of share options					Outstanding as at 31st December, 2005	Option period	Subscription price per share
		Outstanding as at 1st January, 2005	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year			
	授出日期	於二零零五年 一月一日 尚未行使	年內授出	年內行使	年內失效	年內註銷	於二零零五年 十二月三十一日 尚未行使	購股權期限	每股認購價
Director									
董事									
Mr. Thomas Lau	7/10/2005	-	840,000	-	-	-	840,000	7/10/2006 - 26/3/2014	HK\$12.32
劉鑾鴻先生	二零零五年十月七日							二零零六年十月七日至 二零一四年三月二十六日	12.32港元
Employees									
僱員									
	7/10/2005	-	5,800,000	-	-	-	5,800,000	7/10/2006 - 26/3/2014	HK\$12.32
	二零零五年十月七日							二零零六年十月七日至 二零一四年三月二十六日	12.32港元
Total		-	6,640,000	-	-	-	6,640,000		
總計									

Details of options granted by the Company (continued)

Notes:

- The options are exercisable from 7th October, 2006 to 26th March, 2014 (both days inclusive) subject to the following vesting period:
 - up to 40% of the options commencing 7th October, 2006;
 - up to 70% of the options (including the options not exercised under the limit prescribed for in the previous period) commencing 7th October, 2007;
 - up to 100% of the options (including the options not exercised under the limit prescribed for in the previous periods) commencing 7th October, 2008.
- The closing price of the shares of the Company immediately before the date on which the options were granted is HK\$12.05.
- According to the Black-Scholes pricing model (the "Model"), the fair value of the options was estimated at HK\$18 million. The variables used in the model were as follows:

Weighted average share price	HK\$12.14	based on weighted average share price of the Company over the previous year
Expected volatility	32.47%	historical volatility of the Company's share price over the previous year
Expected life	8.5 years	based on management's best estimate, take into account non-transferability, exercise restrictions and other behavioural considerations
Risk-free rate	4.18%	reference to yield of 10-year Exchange Fund Notes in Dec 2005
Expected dividend yield	2.73%	based on historical dividend yield of the shares of the Company over 12-month period

This Model was developed to estimate the fair value of publicly traded options that have no vesting restriction and are fully transferable. As the Company's share options have characteristics significantly different from those traded options, and the value of the share options varies with different variables of certain subjective assumptions, any change in the variables so used may materially affect the estimation of the fair value of the share options.

Arrangements to purchase shares or debentures

Other than as disclosed under the sections "Placing and subscription" and "Details of options granted by the Company" above, at no time during the Year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

本公司授出購股權之詳情 (續)

附註:

- 該等購股權可於二零零六年十月七日至二零一四年三月二十六日期間 (包括首尾兩日) 行使, 有關歸屬期如下:
 - 自二零零六年十月七日起最多40%之購股權;
 - 自二零零七年十月七日起最多70%之購股權 (包括上個期間指定限額並未行使之購股權);
 - 自二零零八年十月七日起最多100%之購股權 (包括上個期間指定限額並未行使之購股權)。
- 本公司股份緊接授出購股權日期前之收市價為12.05港元。
- 根據柏力克-舒爾斯定價模式 (「模式」), 購股權公平值估計為18,000,000港元。模式所用變數如下:

加權平均股價	12.14港元	按過往年度本公司股價之加權平均數
預計波幅	32.47%	過往年度本公司股價之波幅
預計年期	8.5年	按管理層之最佳估計, 並計及不得轉讓、行使限制及其他表現考慮因素
無風險比率	4.18%	經參考於二零零五年十二月之10年期外匯基金票據孳息計算
預計股息率	2.73%	按本公司股份於過去十二個月之過往股息率計算

釐定模式旨在估計並無歸屬限制及可悉數轉讓之公開買賣購股權之公平值。由於本公司購股權之特徵與該等公開買賣購股權有重大差異, 以及購股權價值具備若干主觀假設不同變數, 故所採納變數之任何變動或會對估計購股權公平值造成重大影響。

購買股份或債券之安排

除上文「配售及認購」及「本公司授出購股權之詳情」兩節所披露者外, 於本年度任何時間, 本公司、其控股公司或其任何附屬公司或同系附屬公司概無訂立任何安排, 致使本公司董事藉收購本公司或任何其他法人團體股份或債券而獲益。

Directors' Interests in contracts of significance

Other than as disclosed under the section "Connected Transactions" below, no contracts of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Year.

Connected transactions

(1) CTF Jewellery's concessionaire counter at SOGO CWB (Continuing Connected Transaction)

Sogo Hong Kong Company Limited ("Sogo HK"), an indirect wholly owned subsidiary of the Company, and Chow Tai Fook Jewellery Company Limited ("CTF Jewellery") entered into a dealership agreement where Sogo HK provides a consignee counter of about 1,107.40 sq.ft. at Shops 1-28 and 1-29 on the First Floor of the SOGO CWB to CTF Jewellery for exhibiting and selling fine jewellery, gold and platinum jewellery, at an annual minimum commission of not less than HK\$3,986,640. During the year ended 31st December, 2005 (the "Year"), Sogo HK received a total of HK\$6,373,000 commission from CTF Jewellery.

The existing dealership agreement expired on 30th November, 2005 and the consignee arrangement has been continued at the same terms pending signing of a placement dealership agreement.

Real Reward Limited ("Real Reward"), the Company's controlling shareholder, is owned as to 50% by United Goal Resources Limited ("United Goal Resources") and the other 50% by Go Create Limited ("Go Create") which, in turn, is wholly owned by Chow Tai Fook Enterprises Limited ("CTF"). Being an associate of CTF, CTF Jewellery is a connected person of the Company under the Listing Rules.

(2) Leasing of the Excelsior Plaza from the Chinese Estates Group (Continuing Connected Transaction)

Pursuant to two tenancy agreements dated 14th August, 1996 and 10th November, 1997 made between Public Might Limited ("Public Might"), a subsidiary of the Group, as tenant and Sunny Ocean Limited and Viewwide Properties Limited ("Chinese Estates Related Companies"), both are subsidiaries of Chinese Estates Holdings Limited, as landlord, in respect of certain premises at Excelsior Plaza, the Group was required to pay rent as well as service charges to the Chinese Estates Related Companies for the leasing of the premises. During the year under review, a total of HK\$36,138,000 of rental and service charges was paid by Public Might up to the date of 31st October, 2005 when the said tenancy agreements expired.

董事之重大合約權益

除下文「關連交易」一節披露者外，本公司董事概無於本公司、其控股公司、附屬公司或同系附屬公司所訂立，且於本年度年結日或本年度任何時間仍然生效之重大合約中，直接或間接擁有重大權益。

關連交易

(1) 位於銅鑼灣崇光之周大福珠寶專櫃 (持續關連交易)

本公司間接全資附屬公司崇光(香港)百貨有限公司(「崇光(香港)」)與周大福珠寶金行有限公司(「周大福珠寶」)訂立專櫃經營協議，內容有關向周大福珠寶提供銅鑼灣崇光一樓1-28及1-29號舖約1,107.40平方呎面積作陳列及銷售珠寶首飾、黃金及白金首飾等之寄售人安排。周大福珠寶應付每年最低佣金不少於3,986,640港元。截至二零零五年十二月三十一日止年度(「本年度」)，崇光(香港)已自周大福珠寶收取佣金合共6,373,000港元。

現有專櫃經營協議已於二零零五年十一月三十日屆滿，而寄售人安排則按與上述專櫃經營協議相同之條款繼續進行，直至簽訂新專櫃經營協議為止。

本公司控股股東Real Reward Limited(「Real Reward」)分別由United Goal Resources Limited(「United Goal Resources」)及Go Create Limited(「Go Create」)各自擁有50%權益。Go Create為周大福企業有限公司(「周大福」)全資擁有之公司。根據上市規則，作為周大福之聯繫人士，周大福珠寶為本公司之關連人士。

(2) 自華人置業集團租賃怡東商場 (持續關連交易)

根據兩份由本集團附屬公司群量有限公司(「群量」)作為租戶與華人置業集團附屬公司Sunny Ocean Limited及Viewwide Properties Limited(「華人置業關連公司」)作為業主就怡東商場若干物業所訂立日期分別為一九九六年八月十四日及一九九七年十一月十日之租賃協議，本集團須就租賃該等物業向華人置業關連公司支付租金及服務費。於回顧年度，截至上述租賃協議屆滿之日二零零五年十月三十一日止，群量已支付租金及服務費合共36,138,000港元。

Connected transactions (continued)

As Real Reward, being the Company's controlling shareholder, is owned as to 50% by United Goal which, in turn, is ultimately owned by Mr. Thomas Lau and a discretionary trust with certain family members of Mr. Joseph Lau as eligible beneficiaries; and Mr. Joseph Lau and Mr. Thomas Lau are interested or deemed to be interested as controlling shareholders of Chinese Estates Holdings Limited, the Chinese Estates Related Companies are associates of the connected persons of the Company under the Listing Rules.

As the captioned transactions (1) and (2) constituted continuing connected transaction under Chapter 14A of the Listing Rules, a waiver from strict compliance with the disclosure and/or shareholders' approval requirements under Rule 14A of the Listing Rules was granted by the Stock Exchange on 31st March, 2004. The independent non-executive directors of the Company ("INEDs") have reviewed and confirmed that the annual cap of HK\$10 million and HK\$47.7 million in respect of transactions (1) and (2) respectively has not been exceeded for the Year. The INEDs have also confirmed that the above transactions have been entered into by the Company in the ordinary course of its business and are fair and reasonable and in the interests of the Company's shareholders as a whole, and on normal commercial terms and in accordance with the terms of the respective agreements governing such transactions. The auditors of the Company have confirmed that the above transactions have been approved by the board of directors and did not exceed the respective caps stated in the Company's prospectus dated 31st March, 2004.

(3) PRC JV Acquisition Agreement

As disclosed in the Company's prospectus dated 31st March, 2004, Excellent Global Limited, being a subsidiary of the Company, had contracted with Pure Group Limited ("Pure Group") and Full Partner Limited ("Full Partner") for a conditional agreement to acquire:

- (i) the entire issued share capital of Great Prosperity Holding Inc. ("Great Prosperity"), and
- (ii) the face value of the shareholders' loans owed by Great Prosperity to Pure Group and Full Partner at completion

at a consideration subject to a cap of HK\$500 million.

關連交易 (續)

由於本公司控股股東Real Reward由United Goal 控制50%權益，而United Goal由劉鑾鴻先生及合資格受益人為劉鑾雄先生若干家族成員之全權信託最終擁有；及劉鑾雄先生及劉鑾鴻先生分別持有或被視為持有華人置業集團控股權益之控股股東。因此，根據上市規則，華人置業關連公司為本公司關連人士之聯繫人士。

由於根據上市規則第14A章，上述(1)及(2)項交易構成持續關連交易，故聯交所已於二零零四年三月三十一日授出豁免毋須嚴格遵守上市規則第14A條之披露及／或獲股東批准之規定。此外，本公司獨立非執行董事已審閱及確認，於本年度並無超過上述(1)及(2)項交易之年度上限分別為10,000,000港元及47,700,000港元。獨立非執行董事亦已確認上述交易乃由本公司於日常業務中按一般商業條款及根據監管該等交易之有關協議條款訂立，屬公平合理，且符合本公司股東整體利益。本公司核數師亦確認，上述交易已獲董事局批准，且不超過本公司日期為二零零四年三月三十一日之售股章程所載各有關上限。

(3) 中外合營企業收購協議

誠如本公司日期為二零零四年三月三十一日之售股章程披露，本公司附屬公司Excellent Global Limited與Pure Group Limited (「Pure Group」) 及 Full Partner Limited (「Full Partner」) 訂約，有條件收購：

- (i) Great Prosperity Holding Inc. (「Great Prosperity」) 全部已發行股本，及
- (ii) 於完成時Great Prosperity應付Pure Group及Full Partner之股東貸款面值。

代價可予調整，上限為500,000,000港元。

Connected transactions (continued)

Upon completion of the above acquisition agreement, the Company would have an effective equity interest of 65% in the operating joint venture company 上海久光百貨有限公司 (Shanghai Ongoing Department Store Limited) ("Operating JV") which operates the Jiuguang Department Store and 50% in the property joint venture company 上海九百城市廣場有限公司 (Shanghai Joinbuy City Plaza Co. Ltd.) (the "Property JV") which owns the entire 10-storey shopping complex at 上海久百城市廣場大廈 (Shanghai JoinBuy City Plaza) (the "Shopping Complex") (both interests collectively as the "Shanghai Project"). Both the Operating JV and Property JV are Sino-foreign joint venture companies established in the PRC.

As Pure Group is ultimately owned as to 100% by Mr. Thomas Lau and Mr. Joseph Lau's family discretionary trust and Full Partner is ultimately owned as to 100% by CTF; and both Mr. Thomas Lau and Mr. Joseph Lau and CTF are connected persons of the Company due to its controlling stake in Real Reward (the Company's controlling shareholder). Both Pure Group and Full Partner are hence associates of the Company's connected person, Real Reward.

The acquisition was completed on 7th January, 2005 and the Group paid an aggregate consideration of HK\$500 million. The auditors has performed review on the adjustment schedule with respect to the construction cost of the Shopping Complex and no adjustment on the consideration was found necessary.

- (4) Following completion of the acquisition of the Shanghai Project, the Operating JV has become a 65% indirectly owned subsidiary of the Company. As 上海九百(集團)有限公司 (Shanghai Joinbuy Group Co., Ltd.) and 上海九百股份有限公司 (Shanghai Joinbuy Co., Ltd.) (together the "Joinbuy Group") collectively own 35% and 50% interests in the Operating JV and Property JV respectively, the Property JV is an associate of the Joinbuy Group which is a connected person of the Company through their 35% controlling equity interest in the Operating JV, a non-wholly owned subsidiary of the Company. As such, any transaction, if any, between the Operating JV and the Property JV would constitute connected transaction for the Group. Because of this connection, the following transactions constitute connected transactions of the Company:

關連交易 (續)

上述收購協議完成後，本公司將分別擁有經營久光百貨之營運合營企業上海久光百貨有限公司（「營運合營企業」）及擁有上海久百城市廣場大廈全部10層購物廣場（「購物廣場」）之物業合營企業上海九百城市廣場有限公司（「物業合營企業」）之65%及50%實際股權（上述兩項權益統稱為「上海項目」）。兩家合營公司均為於中國成立之中外合資企業。

由於Pure Group由劉鑾鴻先生及劉鑾雄先生家族信託最終擁有100%權益，而Full Partner由周大福最終擁有100%權益；及基於在本公司控股股東Real Reward擁有控股權益，劉鑾鴻先生、劉鑾雄先生與周大福為本公司關連人士，故Pure Group及Full Partner均為本公司關連人士Real Reward之聯繫人士。

收購於二零零五年一月七日完成，本集團已支付總代價500,000,000港元。核數師已審閱購物廣場建築成本之調整表，並無發現有關代價須作任何調整。

- (4) 於上海項目收購完成後，營運合營企業成為本公司擁有65%權益之間接附屬公司。由於上海九百(集團)有限公司及上海九百股份有限公司（統稱「九百集團」）共同分別於營運合營企業及物業合營企業擁有35%及50%權益，故物業合營企業為九百集團聯繫人士，而九百集團透過其於本公司非全資附屬公司營運合營企業股權之35%控股權益而屬本公司關連人士。因此，營運合營企業與物業合營企業進行之任何交易（如有）將構成本集團關連交易。基於此等關係，下列交易構成本公司關連交易：

Connected transactions (continued)*(i) Operating JV's Tenancy Agreement (Continuing Connected Transaction)*

On 26th November, 2004, the Operating JV entered into a tenancy agreement (the "JV Tenancy Agreement") with the Property JV in respect of the leasing of the entire building of the Shopping Complex (as defined above) of approximately 92,000 sq.m. for a term of 20 years commencing from 1st October, 2004 to 30th September, 2024 at a basic annual rental of RMB125 million with an upward adjustment for additional rental at the rate of 3.5% on the amount over and above the annual revenue of RMB1,500 million for the whole Shopping Complex.

Details of the terms of the JV Tenancy Agreement were disclosed in the circular dated 14th December, 2004 which were subsequently confirmed and approved by independent shareholders of the Company on 30th December, 2004. During the Year, an amount of RMB125 million (equivalent to approximately HK\$118.7 million) of rental and RMB22.2 million (equivalent to approximately HK\$21.1 million) of management fee were paid by the Group and both are within the annual cap of RMB125 million and RMB65 million respectively as stipulated in the Company's circular dated 14th December, 2004.

(ii) Property JV's Shareholder's Loans (Connected Transaction)

As a result of the acquisition of the Shanghai Project, the Group had indirectly acquired through its subsidiary the Shareholder's Loan interest of the Property JV in the amount of US\$10.52 million (equivalent to approximately HK\$82.06 million). Details of the Shareholder's Loan were disclosed in the Company's circular dated 14th December, 2004 under the section heading "Shareholder's Loan" and shareholders' approval was subsequently obtained at the Company's general meeting on 30th December, 2004. As at the balance sheet date, there was no more Shareholders' loan outstanding at the Property JV.

關連交易 (續)*(i) 營運合營企業租賃協議 (持續關連交易)*

於二零零四年十一月二十六日，營運合營企業與物業合營企業就租賃整幢購物廣場（定義見上文）約92,000平方米訂立租賃協議（「合營企業租賃協議」），自二零零四年十月一日起至二零二四年九月三十日止，為期20年，基本年租為人民幣125,000,000元，租金於整幢購物廣場年度營業額超過人民幣1,500,000,000元時就超過部分按3.5%計算額外租金。

合營企業租賃協議條款之詳情於本公司日期為二零零四年十二月十四日之通函披露，有關協議其後於二零零四年十二月三十日獲本公司獨立股東確認及批准。於本年度，已支付租金及管理費分別為人民幣125,000,000元（約相當於118,700,000港元）及人民幣22,200,000元（約相當於21,100,000港元），上述款額屬本公司日期為二零零四年十二月十四日之通函規定之年度上限人民幣125,000,000元及人民幣65,000,000元之範圍內。

(ii) 物業合營企業股東貸款 (關連交易)

收購上海項目完成後，本集團透過其附屬公司間接購入物業合營企業為數10,520,000美元（約相當於82,060,000港元）之股東貸款權益。股東貸款詳情於本公司二零零四年十二月十四日之通函「股東貸款」一節中披露。有關股東貸款其後於二零零四年十二月三十日舉行之股東大會取得股東批准。在結算日，物業合營企業並無任何未清付之股東貸款。

Connected transactions (continued)

(iii) Operating JV's Improvement Works (Connected Transaction)

As described in the section headed "Improvement Works" in the circular dated 14th December, 2004, the Operating JV had requested the Property JV to carry out on its behalf certain Improvement Works for the fitting-out works for the Jiuguang Department Store in the amount between RMB250 million to RMB280 million. This arrangement was confirmed and approved by shareholders of the Company at the Company's general meeting on 30th December, 2004. As of 28th February, 2006, the amount of the Improvement Works has been confirmed to be around RMB275 million (equivalent to approximately HK\$261 million).

(iv) JV Dealership Agreement at Jiuguang Department Store (Continuing Connected Transaction)

The Operating JV entered into a dealership agreement with 周大福珠寶金行(深圳)有限公司 ("CTFSZ Jewellery") for making available consignee counter of about 140 sq.m. on the first floor of the Jiuguang Department Store to CTFSZ Jewellery for selling jewellery for a period of three years commencing from 1st October, 2004. Monthly commission is payable by CTFSZ Jewellery to the Operating JV based on certain percentages of the gross turnover of CTFSZ Jewellery's sales in the relevant month. During the Year, the Operating JV received a total of RMB931,000 (equivalent to approximately HK\$884,000) commission from CTFSZ Jewellery, which is within the annual cap of RMB34 million as stipulated in the Company's announcement dated 13th December, 2004.

As mentioned in paragraph (1) above, CTF is a connected person of the Company and its associate, CTFSZ Jewellery, is also regarded as a connected person to the Company. Therefore, the above JV Dealership Agreement constitutes a continuing connection transaction of the Company.

關連交易 (續)

(iii) 營運合營企業裝修工程 (關連交易)

誠如寄交本公司日期為二零零四年十二月十四日之通函「裝修工程」一節所述，營運合營企業要求物業合營企業代表其為久光百貨之安裝工程，進行為數介乎人民幣250,000,000元至人民幣280,000,000元之裝修工程。是項安排經本公司股東於二零零四年十二月三十日之股東大會確認及批准。於二零零六年二月二十八日，裝修工程之金額已確認約為人民幣275,000,000元（約相當於261,000,000港元）。

(iv) 久光百貨合營企業專櫃經營協議 (持續關連交易)

營運合營企業與周大福珠寶金行(深圳)有限公司（「周大福深圳珠寶」）訂立專櫃經營協議，於久光百貨一樓為周大福深圳珠寶寄售珠寶提供佔地約140平方米之專櫃，協議自二零零四年十月一日起為期三年。周大福深圳珠寶須根據相關月份寄售所得總營業額若干百分比，向營運合營企業支付每月佣金。於本年度，營運合營企業自周大福深圳珠寶取得合共人民幣931,000元（約相當於884,000港元）佣金，有關金額屬本公司在二零零四年十二月十三日之公布所訂明年度上限人民幣34,000,000元之範圍內。

誠如上文第(1)段所述，周大福為本公司及其聯繫人士之關連人士，周大福深圳珠寶亦被視為本公司關連人士。因此，上述合營企業專櫃經營協議構成本公司之持續關連交易。

Connected transactions (continued)**(5) Leasing of the premises for the Sogo TST department Store (Continuing Connected Transaction)**

Pursuant to the lease agreement dated 24th February, 2005 (the "Lease") entered into between the Group's Sogo HK as tenant and Hong Kong Island Development Limited ("HK Island"), an associate of CTF, as landlord for the leasing of the Portions of Ground Floor, Podium 1 and the entire Podium 2 of The Amazon at no. 12 Salisbury Road, Tsimshatsui, Kowloon to Sogo HK for a term of 15 years at a turnover rent, based on sales at the premises, of 6% for the 1st to the 10th years and 7% for the 11th to the 15th years. Details of other terms of the Lease were described in the Company's circular dated 11th March, 2005 which were subsequently approved by independent shareholders on 29th March, 2005. During the Year, a total of HK\$14.9 million of rental including air-conditioning charges, management fees, government rates and other outgoings was paid by the Group, the amount of which is within the annual cap of HK\$75 million as stipulated in the Company's circular dated 11th March, 2005.

HK Island is a subsidiary of New World Development Company Limited ("NWD") which in turn is an associate of CTF. As CTF is a connected person of the Company, the above Lease constitutes a continuing connected transaction of the Company under the Listing Rules.

(6) General cleaning and pest control services provided to Sogo TST Store (Continuing Connected Transaction)

Sogo HK entered into an agreement with Pollution & Protection Services Limited ("PPS") for the provision of general cleaning and pest control services to its Sogo TST store for a period of one year and two days. During the Year, a total of HK\$768,000 for the said services was paid by the Group, which amount is within the annual cap of HK\$851,000 as stipulated in the Company's announcement dated 31st October, 2005.

PPS, a subsidiary of NWD which in turn is controlled by CTF, is an associate of a connected person of the Company under the Listing Rules.

關連交易 (續)**(5) 尖沙咀崇光百貨物業租賃 (持續關連交易)**

本集團之崇光(香港)作為租戶與周大福聯繫人士香島發展有限公司(「香島」)作為業主就向尖沙咀崇光租賃九龍尖沙咀梳士巴利道12號亞瑪遜地下部分·地庫1之部分及地庫2全層於二零零五年二月二十四日訂立租賃協議(「租約」)·為期15年·崇光(香港)須按在有關物業銷售額計算租金·租賃期內第1至10年及第11至15年分別按營業額的6%及7%計算租金·租約其他條款詳情於本公司二零零五年三月十一日之通函中披露·該租約於本公司二零零五年三月二十九日取得獨立股東批准·於本年度·本集團已付合共14,900,000港元租金·冷氣費·管理費·政府差餉及其他開支·有關金額屬本公司二零零五年三月十一日之通函所規定年度限額75,000,000港元之範圍內。

香島為新世界發展有限公司(「新世界發展」)附屬公司·新世界發展則為周大福之聯繫人士·由於周大福為本公司關連人士·因此·根據上市規則·上述租約構成本公司持續關連交易。

(6) 向尖沙咀崇光百貨提供一般清潔及滅蟲服務 (持續關連交易)

崇光(香港)與寶聯防污服務有限公司(「寶聯防污」)·就寶聯防污向尖沙咀崇光百貨提供一般清潔及滅蟲服務訂立協議·為期一年零兩日·於本年度·本集團就上述服務已付合共768,000港元·有關金額屬本公司二零零五年十月三十一日之公布中所訂年度上限851,000港元之範圍內。

寶聯防污乃由周大福控制之新世界發展的附屬公司·根據上市規則·屬本公司關連人士之聯繫人士。

Connected transactions (continued)

(7) Amendments of terms in letters of appointment of non-executive directors (Connected Transaction)

In order to comply with code provision A.4.1 of the Code on Corporate Governance Practices, the letters of appointment for the Company's Non-executive Directors will be amended on 1st March, 2006 by deleting the provision of continuous employment and adding the provision for a specific term of employment of one year and be subject to re-election at the Company's annual general meeting. As the Non-executive Directors are connected persons of the Company, the amendments of the terms in letters of appointment constitute connected transactions and are subject to disclosure requirement in the annual report of the Company.

Substantial shareholders

As at 31st December, 2005, as far as known to the directors, the following persons (other than the directors or chief executives of the Company) who had 5% or more interests in the shares or underlying shares in respect of equity derivatives of the Company that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long position in the shares of the Company

Name of shareholder 股東名稱	Nature of interest and capacity 權益性質及身分	Total number of shares held 所持股份總數	Approximate percentage of interest 概約權益百分比
Real Reward	Beneficial owner 實益擁有人	540,000,000	63.75%
United Goal Resources	Corporate (Note 1) 公司(附註1)	540,000,000	63.75%
Asia Prime Assets Limited ("Asia Prime Assets")	Corporate (Note 1) 公司(附註1)	540,000,000	63.75%
Go Create	Corporate (Note 2) 公司(附註2)	540,000,000	63.75%
CTF 周大福	Corporate (Note 2) 公司(附註2)	540,000,000	63.75%
JPMorgan Chase & Co.	Investment Manager/Custodian 投資經理/託管人	86,252,000	10.18%

關連交易 (續)

(7) 非執行董事委聘函件之多項修訂(關連交易)

為遵守企業管治常規守則守則條文第A.4.1條，本公司非執行董事之委聘函件將於二零零六年三月一日作出修訂，刪除持續聘用條文，並加入一年特定任期及須於本公司股東週年大會膺選連任之條文。由於非執行董事為本公司關連人士，修訂委聘函件條款構成關連交易，須遵守於本公司年報披露之規定。

主要股東

於二零零五年十二月三十一日，據董事所知，按本公司根據證券及期貨條例第336條存置的登記冊所記錄，除本公司董事或行政總裁外，下列人士於本公司股份或股本衍生工具相關股份中擁有5%或以上權益，而該等權益須根據證券及期貨條例第XV部第2及3分部之規定向本公司披露如下：

本公司股份之好倉

Substantial shareholders (continued)

Note 1: Asia Prime Assets which is wholly owned by Mr. Thomas Lau, holds more than one-third of the entire issued share capital of United Goal Resources, a 50% shareholder of Real Reward. By virtue of the SFO, Asia Prime Assets and United Goal Resources are deemed to be interested in the shares held by Real Reward.

Note 2: Go Create, a company wholly owned by CTF of which family members of Dató Dr. Cheng Yu-tung have controlling interests, has 50% interest in Real Reward. By virtue of the SFO, CTF and Go Create are deemed to be interested in the shares held by Real Reward.

Note 3: Mr. Thomas Lau is deemed to be a substantial shareholder who is interested in 540,000,000 shares of the Company (approximately 63.75%) and 400,000 shares (approximately 0.05%) of the Company held by Real Reward and Dynamic Castle respectively. Mr. Thomas Lau also holds 840,000 share options (approximately 0.1%) granted by the Company as beneficial owners. Details of his interests are set out in Section under "Directors' and chief executives' interests in shares and underlying shares".

All the interests stated above represented long positions. As at 31st December, 2005, the substantial shareholders of the Company had no short positions recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Remuneration policy

The remuneration policy of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted the Scheme as an incentive to directors and eligible employees, details of the Scheme is set out under the section headed "Share option scheme" above.

Competing business interests of directors

CTF, of which family members of Dató Dr. Cheng Yu-tung (including Dató Dr. Cheng Yu-tung himself and Dr. Cheng Kar-shun, Henry, directors of the Company) have controlling interests, owned about 35.52% of the issued share capital of New World Development Company Limited ("NWD"). NWD is the holding company of New World Department Stores Limited ("NWDS"), which was founded in 1993 and currently operates department store business selling merchandise, from direct purchase and through concessionaire counters. NWDS operates 21 department stores with an aggregate gross floor area of about 600,000 sq.m. in Hong Kong and eleven cities in the PRC, namely Wuhan, Shenyang, Wuxi, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming and Lanzhou, including a store of gross floor area of about 14,000 sq.m. in Tsimshatsui, Hong Kong and five stores of about 100,000 sq.m. in aggregate in Shanghai. As such, the business of NWDS may compete directly or indirectly with the business of the Group in Hong Kong and Shanghai.

主要股東 (續)

附註1: 由劉鑾鴻先生全資擁有的Asia Prime Assets持有Real Reward 50%權益股東United Goal Resources全部已發行股本三分之一以上,故根據證券及期貨條例,Asia Prime Assets及United Goal Resources被視作於Real Reward 所持股份中擁有權益。

附註2: Go Create擁有Real Reward 50%權益,且為拿督鄭裕彤博士家屬擁有控股權的周大福全資擁有,故根據證券及期貨條例,周大福及Go Create被視作於Real Reward 所持股份中擁有權益。

附註3: 劉鑾鴻先生被視為主要股東,於Real Reward及Dynamic Castle分別所持540,000,000股(約63.75%)及400,000股(約0.05%)本公司股份中擁有權益。劉鑾鴻先生亦作為實益持有人持有本公司所授予之840,000份購股權(約0.1%)。有關彼之權益詳情,載於「董事及行政總裁於股份及相關股份之權益」一節。

上述全部權益均為好倉。於二零零五年十二月三十一日,本公司根據證券及期貨條例第336條規定存置之登記冊並無記錄本公司主要股東擁有任何淡倉。

薪酬政策

本集團之酬金政策由薪酬委員會制定,考慮到員工之表現、資歷及能力。

本公司董事之酬金乃由薪酬委員會經參考本公司經營業績、個別表現及比較市場數據而定。

本公司已採納該計劃以獎勵董事及合資格僱員,有關該計劃之詳情載於上文「購股權計劃」一節。

董事於競爭業務之權益

拿督鄭裕彤博士之家屬(包括本公司董事拿督鄭裕彤博士本人及鄭家純博士)擁有控股權益之周大福擁有新世界發展有限公司(「新世界發展」)已發行股本約35.52%。新世界發展為新世界百貨有限公司(「新世界百貨」)之控股公司。新世界百貨於一九九三年創立,現透過直接採購及特許經營專櫃售賣貨品經營百貨公司業務。新世界百貨在香港及中國十一個城市(分別為武漢、瀋陽、無錫、哈爾濱、天津、寧波、北京、上海、大連、昆明及蘭州)經營21間百貨公司,總樓面面積約為600,000平方米,包括位於香港尖沙咀一間樓面面積約14,000平方米之百貨公司及上海五間合共約100,000平方米之百貨公司。因此,新世界百貨之業務或會與本集團在香港及上海之業務直接或間接構成競爭。

Competing business interests of directors (continued)

The senior management of NWDS is currently led by Mr. Philip Cheung, the managing director. Dató Dr. Cheng Yu-tung is not a director of, and is not involved in the daily operations of, NWDS. Although Dr. Cheng Kar-shun, Henry is the chairman of NWDS, he only assumes a non-executive role and is not involved in the day-to-day operations of NWDS which are supervised and run by the aforesaid managing director, Mr. Philip Cheung. The management of NWDS and the management of the Group are separate and distinct. There has never been any exchange of information nor communication between the two management. The management of NWDS only participates in the management and operations of NWDS but not that of the Company. In relation to NWD, two of its directors, Dató Dr. Cheng Yu-tung and Dr. Cheng Kar-shun, Henry, are also the non-executive directors of the Company. Since the completion of the acquisition of Sogo HK in May 2001, neither CTF nor any of these two directors has participated in the daily operations and management of the Group. As non-executive directors, it is not intended that they will participate in the daily operations and management of the Group.

Save as disclosed herein, none of the directors and their respective associates had any interest in a business which competes or may compete with the business of the Group.

Purchase, sale or redemption of the Company's securities

There was no purchase, sale or redemption of shares of the Company by the Company or any of its subsidiaries during the year.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Articles although there are no restrictions against such rights under the laws in the Cayman Islands.

Employees

As at 31st December, 2005, the Group had a total of about 988 employees in Hong Kong and 425 in the PRC. Employees' cost (excluding directors' emoluments) amounted to approximately HK\$161.9 million (2004: HK\$155.4 million). The Group ensures that the pay levels of its employees are competitive according to market trend and its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

董事於競爭業務之權益 (續)

新世界百貨之高級管理層現由董事總經理Philip Cheung先生領導。拿督鄭裕彤博士並非新世界百貨之董事，亦無參與新世界百貨之日常業務。雖然鄭家純博士為新世界百貨之主席，鄭先生之職務只為非執行性質，並無參與新世界百貨之日常業務。新世界百貨乃由上述董事總經理Philip Cheung先生監督及領導。新世界百貨及本集團乃獨立分開管理。兩間公司之管理層之間從來沒有交換任何資料或任何通訊聯繫。新世界百貨之管理層只參與新世界百貨之管理及營運，而不會涉足本公司之管理及營運。關於新世界發展方面，其兩名董事拿督鄭裕彤博士及鄭家純博士亦為本公司之非執行董事。自二零零一年五月完成收購崇光香港後，周大福或上述兩名董事並無參與本集團之日常業務及管理。彼等作為非執行董事，無意參與本集團之日常業務及管理。

除本文披露者外，概無董事或彼等各自之聯繫人士於任何與或可能與本集團業務構成競爭之業務中擁有任何權益。

購買、出售或贖回本公司證券

本公司或其任何附屬公司於年內概無購買、出售或贖回本公司任何股份。

優先購買權

儘管開曼群島法例並無有關優先購買權之限制，惟本公司之章程細則並無有關權利之條文。

僱員

於二零零五年十二月三十一日，本集團分別於香港及中國共僱用約988名及425名員工。僱員成本（不包括董事酬金）約為161,900,000港元（二零零四年：155,400,000港元）。本集團確保其僱員薪酬水平符合市場水平，且具競爭力，而其僱員可按其表現在本集團薪金及花紅體制之一般架構內獲取報酬。

Major customers and suppliers

The Group is principally involved in retail business. The five largest customers and the five largest suppliers of the Group accounted for less than 30% of the Group's turnover and purchases respectively during the Year.

Sufficiency of public float

The Company has maintained a sufficient public float throughout the Year.

Post balance sheet events

There have not been any significant events occurred after the balance sheet date.

Auditors

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Lau Luen-hung, Thomas

Managing Director

28th February, 2006

主要客戶及供應商

本集團主要從事零售業務。於本年度，本集團五大客戶及五大供應商分別佔本集團營業額及採購額不足30%。

足夠公眾持股量

本公司於本年度一直維持足夠公眾持股量。

結算日後事項

結算日後並無發生重大事項。

核數師

本公司將於股東週年大會提呈續聘德勤·關黃陳方會計師行為本公司核數師之決議案。

代表董事局

董事總經理

劉鑾鴻

二零零六年二月二十八日