

# 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, 2006.

### 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 and property holding. Particulars of the Company's principal subsidiaries are set out in note 42 to the financial statements.

### Results and appropriations

The results of the Group for the year ended 31st December, 2006 (the "Year") are set out in the consolidated income statement on page 57.

An interim dividend of HK cents 14.5 per share was paid during the Year. The directors has recommended the payment of a final dividend of HK cents 21.0 in cash per share, to the shareholders on the register of members on 23rd April, 2007, amounting to a total of HK cents 35.5 in cash per share for the Year.

### 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\$7,648,000 has been credited directly to the income statement.

The Group continued its leasehold improvements replacement policy and expended HK\$52,566,000 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.

### Share capital

Details of movements during the Year in the share capital of the Company are set out in note 34 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.

本公司董事謹此提呈其年報及截至二零零六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」百貨店及持有物業。本公司主要附屬公司詳情載於財務報表附註42。

### 業績及分配

本集團截至二零零六年十二月三十一日止年度（「本年度」）之業績載於第57頁綜合收益表。

於本年度，本公司派付中期股息每股14.5港仙。董事建議向於二零零七年四月二十三日名列股東名冊之股東，派付現金末期股息每股21.0港仙，本年度股息合共現金每股35.5港仙。

### 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7,648,000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52,566,000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。

### 股本

本公司股本於本年度之變動詳情載於財務報表附註34。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。

## 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

### 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, Stephen

In accordance with Article 87 of the Articles of the Company, Dr. Cheng Kar-shun, Henry, Ms. Lau Yuk-wai, Amy and Mr. Lam Siu-lun, Simon 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 appointed for a specific term of one year and is subject to retirement and re-election at annual general meeting in accordance with the Company's articles of association.

Mr. Lau Luen-hung, Thomas and Mr. Doo Wai-hoi, William 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 of office.

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).

## 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

### 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

根據本公司之章程細則第87條規定，鄭家純博士、劉玉慧女士及林兆麟先生須輪值告退，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乃按指定年期一年委任，且須根據本公司之公司組織章程細則於股東週年大會告退並膺選連任。

劉鑾鴻先生及杜惠愷先生與本公司訂有服務合約，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任期補償金額之特定條款。

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

At 31st December, 2006, 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

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	-	63.68%
	Corporate (Note 2) 公司(附註 2)	3,378,000	-	0.39%
	Beneficial owner 實益擁有人	-	8,134,000 (Note 3) (附註 3)	0.95%

Note 1: United Goal Resources Limited ("United Goal"), 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.

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 3,378,000 shares of the Company held by Dynamic Castle.

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.

## 董事及行政總裁於股份及相關股份之權益

於二零零六年十二月三十一日，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

附註 1：擁有 Real Reward Limited（「Real Reward」）50% 權益之 United Goal Resources Limited（「United Goal」）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。

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 3,378,000 股本公司股份中擁有權益。

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)**
**(2) Interests in the shares of associated corporation**
**董事及行政總裁於股份及相關股份之權益 (續)**
**(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* (in Members' Voluntary Liquidation) 達恒集團有限公司* (正進行股東自願清盤)	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, 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 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, 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 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。達恒集團有限公司\*、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 於達恒集團有限公司\*、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。

\* World First Holdings Limited was still in Members' Voluntary Liquidation at the balance sheet date and was dissolved on 5th February, 2007.

\* 達恒集團有限公司於結算日仍在進行股東自願清盤，其後於二零零七年二月五日解散。

All the interests stated above represented long positions. As at 31st December, 2006, the directors and chief executives 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。於二零零六年十二月三十一日，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。

### Substantial shareholders

As at 31st December, 2006, 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 and 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	63.68%
United Goal	Corporate (Note 1) 公司(附註 1)	540,000,000	63.68%
Asia Prime Assets Limited ("Asia Prime")	Corporate (Note 1) 公司(附註 1)	540,000,000	63.68%
Go Create Limited ("Go Create")	Corporate (Note 2) 公司(附註 2)	540,000,000	63.68%
Chow Tai Fook Enterprises Limited ("CTF") 周大福企業有限公司(「周大福」)	Corporate (Note 2) 公司(附註 2)	540,000,000	63.68%
JPMorgan Chase & Co.	Investment Manager/Custodian 投資經理/託管人	49,248,500	5.80%

Note 1: Asia Prime which is wholly owned by Mr. Thomas Lau, holds more than one-third of the entire issued share capital of United Goal, a 50% shareholder of Real Reward. By virtue of the SFO, Asia Prime and United Goal 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 63.68%) and 3,378,000 shares (approximately 0.39%) of the Company held by Real Reward and Dynamic Castle respectively. Mr. Thomas Lau also holds 8,134,000 share options (approximately 0.95%) 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".

### 主要股東

於二零零六年十二月三十一日，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

附註 1：由劉鑾鴻先生全資擁有的 Asia Prime 持有 Real Reward 50% 權益股東 United Goal 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 及 United Goal 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益的周大福全資擁有，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 63.68%）及 3,378,000 股（約 0.39%）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 8,134,000 份購股權（約 0.95%）。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。

### Substantial shareholders (continued)

All the interests stated above represented long positions. As at 31st December, 2006, 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.

### 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 to the Group.

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 any of their respective associates) in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5,000,000 must be also approved 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.

### 主要股東 (續)

上述全部權益均為好倉。於二零零六年十二月三十一日，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。

### 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。

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，就任何個別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、獨立非執行董事或任何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任何彼等各自之聯繫人士）超過本公司股本0.1%或價值超過5,000,000港元之購股權，亦必須經本公司股東批准。

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, 2006, options to subscribe for an aggregate of 12,632,000 shares of the Company 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

於二零零六年十二月三十一日，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12,632,000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 購股權數目					Outstanding as at 31st December, 2006 於二零零六年 十二月三十一日 尚未行使	Option period 購股權期限	Subscription price per share 每股認購價
		Outstanding as at 1st January, 2006 於二零零六年 一月一日 尚未行使	Granted during the year 年內授出	Exercised during the year 年內行使	Lapsed during the year 年內失效	Cancelled during the year 年內註銷			
<b>Director</b>									
<b>董事</b>									
Mr. Thomas Lau 劉鑾鴻先生	7/10/2005 二零零五年十月七日	840,000		(336,000)	-	-	504,000	7/10/2006- 26/3/2014 (Note 1) 二零零六年十月七日至 二零一四年三月二十六日 (附註 1)	HK\$12.32 12.32港元
	16/03/2006 二零零六年三月十六日	-	7,630,000	-	-	-	7,630,000	16/3/2007- 26/3/2014 (Note 2 and 3) 二零零七年三月十六日至 二零一四年三月二十六日 (附註 2 及 3)	HK\$12.74 12.74港元
<b>Employees</b>									
<b>僱員</b>									
	7/10/2005 二零零五年十月七日	5,800,000	-	(632,000)	(670,000)	-	4,498,000	7/10/2006- 26/3/2014 (Note 1) 二零零六年十月七日至 二零一四年三月二十六日 (附註 1)	HK\$12.32 12.32港元
<b>Total</b> <b>總計</b>		6,640,000	7,630,000	(968,000)	(670,000)	-	12,632,000		

Notes:

1. The options, granted on 7th October, 2005, are exercisable from 7th October, 2006 to 26th March, 2014 (both days inclusive) subject to the following vesting period:

- (i) up to 40% of the options commencing 7th October, 2006;
- (ii) up to 70% of the options (including the options not exercised under the limit prescribed for in the previous period) commencing 7th October, 2007;
- (iii) up to 100% of the options (including the options not exercised under the limit prescribed for in the previous periods) commencing 7th October, 2008.

附註：

1. 該等於二零零五年十月七日授出之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：

- (i) 自二零零六年十月七日起最多40%之購股權；
- (ii) 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）；
- (iii) 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）。

### Details of options granted by the Company (continued)

2. The options, granted on 16th March, 2006, are exercisable from 16th March, 2007 to 26th March, 2014 (both days inclusive) subject to the following vesting period:

- (i) up to 40% of the options commencing 16th March, 2007;
- (ii) up to 70% of the options (including the options not exercised under the limit prescribed for in the previous period) commencing 16th March, 2008;
- (iii) up to 100% of the options (including the options not exercised under the limit prescribed for in the previous periods) commencing 16th March, 2009.

The closing price of the shares of the Company, immediately before the date on which the options were granted on 16th March, 2006, was HK\$12.75. The grant of such options was subsequently approved by independent shareholders on 26th April, 2006.

3. According to the Black-Scholes pricing model (the "Model"), the fair value of the options granted during the year was estimated at HK\$22 million. The variables used in the model were as follows:

Share price on 26th April, 2006	HK\$13.15	closing share price on 26th April, 2006
Expected volatility	30.71%	historical volatility of the Company's share price over the previous year
Expected life	5.5 years	based on management's best estimate, take into account non-transferability, exercise restrictions and other behavioural considerations
Risk-free rate	4.55%	reference to yield of 10-year Exchange Fund Notes in March 2006
Expected dividend yield	2.52%	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 section "Details of options granted by the Company", 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)

2. 該等於二零零六年三月十六日授出之購股權可於二零零七年三月十六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:

- (i) 自二零零七年三月十六日起最多40%之購股權;
- (ii) 自二零零八年三月十六日起最多70%之購股權(包括上個期間指定限額並未行使之購股權);
- (iii) 自二零零九年三月十六日起最多100%之購股權(包括上個期間指定限額並未行使之購股權)。

本公司股份緊接於二零零六年三月十六日授出購股權當日之收市價為12.75港元。該等購股權之授出其後獲獨立股東於二零零六年四月二十六日批准。

3. 根據柏力克-舒爾斯定價模式(「模式」),年內授出購股權之公平值估計為22,000,000港元。模式所用變數如下:

於二零零六年四月二十六日之股價	13.15港元	於二零零六年四月二十六日之股份收市價
預期波幅	30.71%	過往年度本公司股價之以往波幅
預計年期	5.5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
無風險利率	4.55%	經參考於二零零六年三月之10年期外匯基金票據孳息計算
預期股息率	2.52%	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「本公司授出購股權之詳情」一節披露者外,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", 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, 2006 (the "Year"), Sogo HK received a total of HK\$8,690,000 commission from CTF Jewellery.

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

Real Reward Limited ("Real Reward"), the Company's controlling shareholder, is owned as to 50% by United Goal Resources Limited ("United Goal") 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) Operating JV's tenancy agreement (Continuing connected transaction)

On 26th November, 2004, 上海久光百貨有限公司 (the "Operating JV") entered into a tenancy agreement (the "JV Tenancy Agreement") with 上海九百城市廣場有限公司 (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.

### 董事之重大合約權益

除「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) 位於銅鑼灣店之周大福珠寶特許專櫃 (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店1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。截至二零零六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8,690,000港元。

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」)及Go Create Limited(「Go Create」)各自擁有50%權益。Go Create為由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) 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，上海久光百貨有限公司(「營運合營企業」)與上海九百城市廣場有限公司(「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，可上調，按整幢購物廣場年度營業額超過人民幣1,500,000,000元之部分以3.5%計算額外租金。

### Connected transactions (continued)

#### (2) Operating JV's tenancy agreement (Continuing connected transaction) (continued)

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\$121.7 million) of rental and RMB28.2 million (equivalent to approximately HK\$27.5 million) of management fee were paid by the Operating JV 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.

The Operating JV is 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, the tenancy agreement between the Operating JV and the Property JV constitutes a connected transaction for the Group.

#### (3) 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 a 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 RMB1.7 million (equivalent to approximately HK\$1.6 million) 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 connected transaction of the Company.

### 關連交易(續)

#### (2) 營運合營企業租賃協議(持續關連交易)(續)

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，營運合營企業已支付租金及管理費分別為人民幣125,000,000元(約相當於121,700,000港元)及人民幣28,200,000元(約相當於27,500,000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。

營運合營企業為本公司擁有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租賃協議構成本集團關連交易。

#### (3) 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1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1,700,000元(約相當於1,600,000港元)佣金，有關金額屬本公司日期為二零零四年十二月十三日之公佈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)

### (4) 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\$34.5 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.

### (5) General cleaning and pest control services provided to Sogo TST Store and Sogo CWB Store (Continuing connected transactions)

On 31st October, 2005, 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 commencing from 29th September, 2005 to 30th September, 2006. During the Year, a total of HK\$1,938,000 for the said services was paid by the Group, which amount is within the annual cap of HK\$2,165,000 as stipulated in the Company's announcement dated 31st October, 2005.

After the expiry of the above agreement, Sogo HK and PPS entered into a new agreement (the "TST Agreement") for the same services on 10th November, 2006. During the Year, a total of HK\$685,000 for the said services was paid by the Group.

On 10th November, 2006, Sogo HK entered into another agreement (the "CWB Agreement") with PPS whereby PPS agrees to also provide general cleaning and pest control services to Sogo CWB Store for a period from 16th December, 2006 to 7th January, 2008. During the Year, a total of HK\$283,000 for the services was paid by the Group.

## 關連交易 (續)

### (4) 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全層予崇光(香港)訂立日期為二零零五年二月二十四日之租賃協議(「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日期為二零零五年三月十一日之通函中披露，該租約其後於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34,500,000港元租金，當中包括冷氣費、管理費、政府差餉及其他開支，有關金額屬本公司日期為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。

### (5) 向尖沙咀崇光百貨及銅鑼灣崇光百貨提供一般清潔及滅蟲服務 (持續關連交易)

於二零零五年十月三十一日，崇光(香港)與寶聯防污服務有限公司(「寶聯防污」)就寶聯防污為尖沙咀崇光百貨提供一般清潔及滅蟲服務訂立協議，自二零零五年九月二十九日起至二零零六年九月三十日止，為期一年零兩日。於本年度，本集團就上述服務已付合共1,938,000港元，有關金額屬本公司日期為二零零五年十月三十一日之公佈中所訂年度上限2,165,000港元之範圍內。

上述協議屆滿後，崇光(香港)與寶聯防污於二零零六年十一月十日就同一服務訂立新協議(「尖沙咀協議」)。於本年度，本集團就上述服務已付合共685,000港元。

於二零零六年十一月十日，崇光(香港)與寶聯防污訂立另一份協議(「銅鑼灣協議」)，據此，寶聯防污同意於二零零六年十二月十六日至二零零八年一月七日期間亦向銅鑼灣崇光百貨提供一般清潔及滅蟲服務。於本年度，本集團就上述服務已付合共283,000港元。

### Connected transactions (continued)

#### (5) General cleaning and pest control services provided to Sogo TST Store and Sogo CWB Store (Continuing connected transactions) (continued)

The cap of annual fees payable by Sogo HK to PPS under the TST Agreement and CWB Agreement is set at HK\$1,130,000, HK\$11,460,000 and HK\$216,000 for each of the three financial years ending 31st December, 2006, 2007 and 2008 respectively. If the amount to be paid to PPS exceeds the said cap, independent shareholders' approval would be required. The total of fees paid for the said services to PPS under the two agreements is within the annual cap of HK\$1,130,000 as stipulated in the Company's announcement dated 10th November, 2006.

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

### Remuneration policy

The remuneration policy of the Group is set on basis of the employees' merit, qualifications and competence.

The emoluments package of the directors of the Company are reviewed and concluded by the Remuneration Committee, with consideration to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option 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 the family members of Dató Dr. Cheng Yu Tung (including Dató Dr. Cheng Yu Tung himself and Dr. Cheng Kar Shun, Henry, Non-executive Directors of the Company) have controlling interests, owned about 36.34% 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 a department store business selling merchandise, from direct purchase and through concessionaire counters. As at the Latest Practicable Date, NWDS manages 27 department stores with an aggregate gross floor area of about 776,980 square meters in Hong Kong and fifteen cities in the PRC (namely Wuhan, Shenyang, Wuxi, Harbin, Tianjin, Ningbo, Beijing, Shanghai, Dalian, Kunming, Lanzhou, Xiamen, Chongqing, Changsha and Chengdu), including a store of gross floor area of about 14,000 square meters in Tsimshatsui, Hong Kong and six stores of about 146,230 square meters 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 the PRC.

### 關連交易 (續)

#### (5) 向尖沙咀崇光百貨及銅鑼灣崇光百貨提供一般清潔及滅蟲服務 (持續關連交易) (續)

根據尖沙咀協議及銅鑼灣協議，於截至二零零六年、二零零七年及二零零八年十二月三十一日止三個財政年度各年，崇光(香港)應付寶聯防污之年度費用限額分別設定為1,130,000港元、11,460,000港元及216,000港元。倘向寶聯防污支付之金額超出所述限額，則須取得獨立股東批准。根據該兩份協議就所述服務已付寶聯防污之費用總額屬本公司日期為二零零六年十一月十日之公佈所規定年度限額1,130,000港元之範圍內。

寶聯防污乃視作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。

### 薪酬政策

本集團之薪酬政策按僱員之表現、資歷及能力而制定。

本公司董事之酬金待遇乃由薪酬委員會經考慮本公司經營業績、個別表現及比較市場數據而作出檢討及總結。

本公司已採納購股權計劃以獎勵董事及合資格僱員，計劃詳情載於上文「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(包括本公司非執行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36.34%。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。於最後可行日期，新世界百貨在香港及中國十五個城市(分別為武漢、瀋陽、無錫、哈爾濱、天津、寧波、北京、上海、大連、昆明、蘭州、廈門、重慶、長沙及成都)管理27間百貨公司，總樓面面積約為776,980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六間合共約146,230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中國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, its 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 managements. 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 Hong Kong Company Limited 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, 2006, the Group had a total of about 1,015 employees in Hong Kong and 441 employees in the PRC. The cost of employees (excluding directors' emoluments) amounted to HK\$205.8 million (2005: HK\$161.9 million) for the Year. The Group considers 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.

### 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.

### 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張輝熱先生領導。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張輝熱先生監督及領導。新世界百貨及本集團乃分開獨立管理。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)百貨有限公司後，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，概無董事及彼等各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本年度概無購買、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限制有關權利之條文。

### 僱員

於二零零六年十二月三十一日，本集團分別於香港及中國共僱用約1,015名及441名員工。於本年度，僱員成本(不包括董事酬金)為205,800,000港元(二零零五年：161,900,000港元)。本集團認為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。

### 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%。

### Sufficiency of public float

Based on information available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the Public as of the date of this report.

### Post balance sheet events

Details of post balance sheet event are set out in note 40 to the financial statements.

### 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*

27th February, 2007

### 足夠公眾持股量

根據本公司所獲提供資料及據董事所知悉，於本報告日期，公眾人士最少持有本公司已發行股本總額25%。

### 結算日後事項

結算日後事項詳情載於財務報表附註40。

### 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**

二零零七年二月二十七日