

The Directors submit their report together with the audited financial statements of the Group for the year ended 31 December 2005.

CHANGE OF COMPANY NAME IN CHINESE AND REGISTERED OFFICE

The Company changed its company name in Chinese to 卓越金融有限公司 on 28 September 2005 and its registered office to Suite 2707-8, One Exchange Square, 8 Connaught Place, Central, Hong Kong on 6 June 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 17 to the financial statements.

SEGMENT INFORMATION

An analysis of the Group's performance, asset and liabilities for the year by business segments is set out in note 5 to the financial statements.

RESULTS

The results of the Group for the year are set out in the consolidated profit and loss account on page 59.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2005, the aggregate turnover attributable to the Group's five largest customers accounted for approximately 65.2% of the Group's total turnover and the turnover attributable to the Group's largest customer was approximately 22.8% of the Group's total turnover.

For the year ended 31 December 2005, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 32.5% of the Group's total purchase and the purchase attributable to the Group's largest supplier was approximately 8.3% of the Group's total purchases.

None of the Directors, their Associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in any of the Group's five largest customers or suppliers noted above.

DIVIDEND

The Directors do not recommend the payment of a dividend for the year.

董事會提呈本集團截至二零零五年十二月三十一日止年度的董事會報告及經審核財務報表。

更改公司中文名稱及註冊辦事處

本公司於二零零五年九月二十八日將其公司中文名稱更改為卓越金融有限公司，並於二零零五年六月六日將其註冊辦事處地址遷往香港中環康樂廣場八號交易廣場一期二七〇七至八室。

主要業務

本公司的主要業務為投資控股。主要附屬公司的主要業務載於財務報表附註十七。

分部資料

本集團於本年度按業務分部的業績、資產及負債分析載於財務報表附註五。

業績

本集團於本年度的業績載於第五十九頁的綜合損益報表。

主要客戶及供應商

於截至二零零五年十二月三十一日止年度，本集團來自五大客戶的營業總額佔本集團總營業額約65.2%；而本集團來自最大客戶的營業額佔本集團總營業額約22.8%。

於截至二零零五年十二月三十一日止年度，本集團來自五大供應商的購貨總額佔本集團購貨總額約32.5%；而本集團來自最大供應商的購貨額佔本集團購貨總額約8.3%。

董事、彼等的聯繫人士或任何據董事所知擁有本公司股本5%以上權益的股東概無於上文所述的本集團五大客戶或供應商中擁有任何權益。

股息

董事不建議派發就本年度的股息。

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity and note 29 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are set out in note 14 to the financial statements.

PRINCIPAL PROPERTY

Details of the principal property of the Group held for investment purposes are set out in note 15 to the financial statements.

DONATIONS

The Group did not make any charitable donation for the year.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 28 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2005, calculated under section 79B of the Companies Ordinance, amounted to HK\$52,576,000 (2004: HK\$60,982,000).

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial periods is set out on pages 127 to 128.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

儲備

本集團與本公司於年內的儲備變動詳情分別載於綜合權益變動表及財務報表附註二十九。

物業、機器及設備

本集團與本公司的物業、機器及設備變動詳情載於財務報表附註十四。

主要物業

本集團持有作投資用途的主要物業詳情載於財務報表附註十五。

捐款

本集團於本年度並無作出任何慈善捐款。

股本

本公司的股本詳情載於財務報表附註二十八。

可供分派儲備

於二零零五年十二月三十一日，本公司根據《公司條例》第七十九B條計算的可供分派儲備為52,576,000港元(二零零四年：60,982,000港元)。

財務摘要

本集團過去五個財政期間的業績、資產與負債摘要載於第一百二十七至一百二十八頁。

購買、出售或贖回本公司的上市證券

本公司及其任何附屬公司於年內並無購買、出售或贖回本公司任何上市證券。

SHARE OPTION SCHEME

The old share option scheme adopted on 29 December 1997 was terminated on 3 June 2005.

The Scheme was adopted on 5 June 2005. The key terms of the Scheme are summarized below:-

- (i) The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution or potential contribution to the growth and development of the Group;
- (ii) The participants of the Scheme include any employee or officer (whether full time or part time, and including any executive Director but excluding any non-executive Director and independent non-executive Director) of any company within the Group or any Invested Entity (as defined in the Scheme);
- (iii) The total number of Shares available for issue under the Scheme is 7,200,000 which represent 10% of the existing issued share capital of the Company as at the date of adoption of the Scheme;
- (iv) The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue as at the date of adoption of the Scheme unless approval from the Company's Shareholders has been obtained. The number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Group must not in aggregate exceed 30% of the Shares in issue from time to time. No option may be granted under the Scheme or any other share option scheme of the Group if such grant would result in the 30% limit being exceeded;

購股權計畫

於一九九七年十二月二十九日採納的舊購股權計畫已於二零零五年六月三日終止。

本公司於二零零五年六月五日採納了計畫。計畫的主要條款概述如下：—

- (i) 計畫旨在使本公司可向經甄選的參與者授出購股權，作為彼等對本集團的成長及發展所作的貢獻或潛在的貢獻的獎勵或回報；
- (ii) 計畫的參與者包括本集團屬下任何公司或任何投資實體（定義見計畫）的任何僱員或高級人員（不論全職或兼職，以及包括任何執行董事，但不包括任何非執行董事及獨立非執行董事）；
- (iii) 根據計畫可發行的股份總數為7,200,000股，即採納計畫當日本公司已發行股本的10%；
- (iv) 因行使根據計畫及本集團其他購股權計畫所授出的全部購股權而配發及發行的股份數目總額不得超過採納計畫當日所發行股份的10%，惟取得本公司股東批准則除外。因行使根據計畫及本集團任何其他購股權計畫所授出的所有已授出而尚未行使及將予行使購股權而可能配發及發行的股份數目，不得超過不時已發行股份的30%。倘根據計畫或本集團任何其他購股權計畫授出該等購股權導致超逾30%的限制，則不可授出購股權；

- (v) Unless approved by the Shareholders in general meeting, the total number of Shares issued and to be issued upon exercise of all options granted to any Eligible Participant (as defined in the Scheme) under the Scheme and any other share option scheme (including both exercised and outstanding options) in any 12-month period during which an option is exercised by the grantee, shall not exceed 1% of the total number of Shares for the time being in issue. Any grant of options to a substantial Shareholder or any of their respective Associates in aggregate more than 0.1% of Shares in issue, and having an aggregate value, based on the closing price on the date of such grant, in excess of HK\$5 million, must be approved by the Shareholders in general meeting;
- (vi) An option may be exercised in accordance with the terms of the Scheme at any time during a period (which may not expire later than 10 years from the date of grant) to be notified by the Board to each grantee. Unless otherwise determined by the Board at its sole discretion, there is no requirement on the minimum period for which any option granted or to be granted must be held or the performance targets which must be achieved before the option can be exercised;
- (vii) A non refundable remittance of HK\$10 by way of consideration for the grant of an option is required to be paid by each grantee upon acceptance of the option;
- (viii) The subscription price payable upon exercising any particular option granted under the Scheme is determined based on a formula: $P = N \times E_p$, where "P" is the subscription price; "N" is the number of Shares to be subscribed; and "E_p" is the exercise price of the highest of (a) the nominal value of a Share on the date of offer; (b) the official closing price of Shares as stated in the daily quotation sheets of the Stock Exchange on the date of offer; and (c) the average of the official closing prices of Shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of offer and as adjusted pursuant to the clauses of the Scheme; and
- (v) 除非獲股東於股東大會上批准，否則任何獲授購股權的合資格參與者於行使購股權的任何十二個月期間內，因藉著行使根據計畫及任何其他購股權計畫（包括已行使及已授出而尚未行使的購股權）的所有購股權的已發行及將發行的股份總數，不得超過當時已發行股份總數的1%。倘向主要股東或任何彼等各自的聯繫人士授出的購股權總數超逾已發行股份的0.1%，及以該等授出購股權當日的收市價計算總值超逾5,000,000港元的購股權時，必須於股東大會上獲股東批准；
- (vi) 獲授人可根據計畫的條款於董事會所知會的期間（其有效期限不得超過由授出日期起計十年）內的任何時間行使購股權。除董事會酌情規定外，任何已授出或將授出的購股權於可行使前並無持有最短期限或達到一定工作表現目標的規定；
- (vii) 每名獲授人於接納購股權時須支付不可退還款額十港元，作為獲授購股權的代價；
- (viii) 因行使任何根據計畫所獲授的購股權而應付的認購價乃根據方程式 $P = N \times E_p$ 計算，當中「P」指認購價；「N」指將認購的股份數目；而「E_p」則指行使價，而行使價為下列三者的最高者：(a)股份於授出購股權日期的面值；(b)股份於授出購股權日期於聯交所每日報價表的官方收市價；或(c)股份於授出購股權日期前五個營業日在聯交所每日報價表的官方平均收市價；並已根據計畫的條款調整；及

(ix) The life of the Scheme is until the tenth anniversary of the adoption date of the Scheme or the date on which the Scheme is terminated by resolution of the Shareholders in general meeting, whichever is earlier.

As at 31 December 2005, no share option was issued, exercised, cancelled, lapsed or outstanding.

DIRECTORS

The Directors during the year and up to date of this Annual Report were:—

Present

Datuk LIM Chee Wah

Mr. Percy ARCHAMBAUD-CHAO ⁽¹⁾

Ms. Patsy SO Ying Chi ⁽²⁾

Mr. Stephen YUEN Ching Bor ⁽³⁾

Mr. Michael YEE Kim Shing

Mr. Alan Howard SMITH, J. P.

Dr. Allen LEE Peng Fei, J. P. ⁽⁴⁾

Resigned

Mr. Michael CHUM Hon Wang ⁽⁵⁾

Mr. Alexander AU Siu Kee ⁽⁶⁾

Mr. Paul Steven SERFATY ⁽⁷⁾

Notes:

⁽¹⁾ Appointed as an executive Director on 1 March 2005.

⁽²⁾ Appointed as an executive Director on 18 February 2005.

⁽³⁾ Appointed as an independent non-executive Director on 18 February 2005 and redesignated as an executive Director on 8 November 2005.

⁽⁴⁾ Appointed as an independent non-executive Director on 6 October 2005.

⁽⁵⁾ Resigned as an executive Director on 18 February 2005.

⁽⁶⁾ Resigned as an independent non-executive Director on 18 February 2005.

⁽⁷⁾ Resigned as an independent non-executive Director on 31 March 2005.

In accordance with Article 133 of the Articles of Association, Datuk LIM Chee Wah and Mr. Alan Howard SMITH, J.P., retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

(ix) 計畫的有效期乃至採納當日起計的十周年止，或至股東於股東大會通過終止計畫的決議案日期止；以較早者為準。

於二零零五年十二月三十一日，並無發行、行使或註銷購股權，亦無購股權失效或尚未行使。

董事

年內及截至本年報日期止的董事為：—

現有董事

林致華拿督

趙世雄先生⁽¹⁾

蘇瑩枝女士⁽²⁾

袁靖波先生⁽³⁾

余金盛先生

史亞倫太平紳士

李鵬飛博士太平紳士⁽⁴⁾

辭任董事

覃漢宏先生⁽⁵⁾

歐肇基先生⁽⁶⁾

Paul Steven SERFATY先生⁽⁷⁾

附註：

⁽¹⁾ 於二零零五年三月一日獲委任為執行董事。

⁽²⁾ 於二零零五年二月十八日獲委任為執行董事。

⁽³⁾ 於二零零五年二月十八日獲委任為獨立非執行董事，並於二零零五年十一月八日調任為執行董事。

⁽⁴⁾ 於二零零五年十月六日獲委任為獨立非執行董事。

⁽⁵⁾ 於二零零五年二月十八日獲委任為執行董事。

⁽⁶⁾ 於二零零五年二月十八日辭任獨立非執行董事。

⁽⁷⁾ 於二零零五年三月三十一日辭任獨立非執行董事。

根據《組織章程細則》第一百三十三條，林致華拿督及史亞倫太平紳士將於應屆股東周年大會上輪值退任，並符合資格且願意膺選連任。

In accordance with Article 110 of the Articles of Association, Dr. Allen LEE Peng Fei, J.P. retires at the forthcoming AGM and, being eligible, offers himself for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 16 to 21.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

COMPETING BUSINESS

As at 31 December 2005, none of the Directors nor his/her Associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

Details of Directors' and chief executive's interests in securities are set out on page 38 in the "Corporate Governance Report".

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

Details of Substantial Shareholders' interests in securities are set out on page 47 in the "Corporate Governance Report".

DIRECTORS' INTERESTS IN CONTRACTS AND MANAGEMENT CONTRACTS

Other than those contracts disclosed in "Related Party Transactions" as set out in note 33 to the financial statements, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly subsisted at the year-end or at any time during the year.

根據《組織章程細則》第一百一十條，李鵬飛博士太平紳士將於應屆股東周年大會上退任，並符合資格且願意膺選連任。

董事及高級管理人員的簡歷

董事及高級管理人員的簡歷載列於第十六至二十一頁。

董事的服務合約

除法定賠償外，擬於應屆股東周年大會上膺選連任的董事概無與本公司訂立了本公司在一年內不可在不予賠償的情況下終止的服務合約。

競爭業務

於二零零五年十二月三十一日，董事及其聯繫人士並無於與本集團業務直接或間接構成競爭或可能構成競爭的任何業務中擁有權益。

董事及行政總裁擁有的證券權益

董事及行政總裁的證券權益詳情載於《企業管治報告》第三十八頁。

主要股東的證券權益

主要股東的證券權益詳情載於《企業管治報告》第四十七頁。

董事的合約及管理合約利益

除財務報表附註三十三「關聯方交易」所披露的合約外，本公司或任何其附屬公司概無於期末或年內任何時間訂立任何與本集團的業務有重大關係而本公司董事直接或間接於其中擁有重大利益的合約。

CORPORATE GOVERNANCE

The Company is committed to maintaining high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out on pages 22 to 49 in the "Corporate Governance Report".

EVENT AFTER THE BALANCE SHEET DATE

The event after the date of Balance Sheet of the Group is set out in note 35 to the financial statements.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers, the existing Auditors of the Company, who were first appointed on 19 July 2004 in place of Grant Thornton, retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

By order of the Board

Datuk LIM Chee Wah
Chairman

Hong Kong, 13 April 2006

企業管治

本公司致力於維持高水平的企業管治常規。本公司採納的企業管治常規資料載於《企業管治報告》第二十二至四十九頁。

資產負債表日後事項

本集團於資產負債表日後事項載於財務報表附註三十五。

核數師

財務報表由本公司的現任核數師羅兵咸永道會計師事務所審核，該核數師於二零零四年七月十九日獲委任以代替均富會計師行。羅兵咸永道會計師事務所將於應屆股東周年大會告退，並符合資格且願重獲委任。

承董事會命

主席
林致華 拿督

香港，二零零六年四月十三日