

Report of the Directors

董事會報告書

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

Principal Activities

The Company acts as an investment holding company. The activities of its subsidiaries are set out in note 14 to the financial statements.

Results

The results of the Group for the year ended 31 December 2001 are set out in the consolidated income statement on page 30.

The directors do not recommend the payment of any dividend.

Five Year Financial Summary

A summary of the audited results and the assets and liabilities of the Group for the last five financial years ended 31 December 2001 is set out on page 79.

Property, Plant and Equipment

The Group's leasehold land and buildings were revalued at 31 December 2001. The revaluation deficit of approximately HK\$1,059,000 has been charged to the properties revaluation reserve.

Details of this and other movements during the year in the property, plant and equipment of the Group are set out in note 13 to the financial statements.

Share Capital

Details of movements during the year in the share capital of the Company are set out in note 22 to the financial statements.

董事會欣然呈報截至二零零一年十二月三十一日止年度報告及經審核財務報表。

主要業務

本公司之主要業務為投資控股，而各附屬公司之業務載於財務報表附註14。

業績

本集團截至二零零一年十二月三十一日止年度之業績載於第30頁之綜合收益表。

董事會並不建議派發末期股息。

五年財務概要

本集團截至二零零一年十二月三十一日止最近五個財政年度之經審核業績、資產及負債概要載於第79頁。

物業、廠房及設備

本集團之租賃土地及樓宇於二零零一年十二月三十一日重估。重估減值約1,059,000港元已自重估儲備扣除。

年內本集團物業、機器及設備之上述及其他變動之詳情載於財務報表附註13。

股本

年內本公司股本變動之詳情載於財務報表附註22。



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Reserves

Details of movements in the reserves of the Group and of the Company during the year are set out in note 23 to the financial statements.

Distributable Reserves

As at 31 December 2001, the Company's reserves available for distribution to shareholders was approximately HK\$11,697,000, being the contributed surplus of approximately HK\$83,353,000 less the accumulated losses of approximately HK\$71,656,000.

Major Customers and Suppliers

The percentages of the aggregate turnover for the year attributable to the Group's five largest customers are as follows:

| | | |
|---------------------------------|--------|--------|
| The largest customer | 最大客戶 | 4.25% |
| Five largest customers combined | 五大客戶合計 | 12.83% |

The percentages of the aggregate purchases for the year attributable to the Group's five largest suppliers are as follows:

| | | |
|---------------------------------|---------|--------|
| The largest supplier | 最大供應商 | 32.60% |
| Five largest suppliers combined | 五大供應商合計 | 46.43% |

None of the directors, their associates or any shareholders (which to the knowledge of the directors owned more than 5% of the Company's issued share capital) had an interest in any of the Group's five largest customers or suppliers.

儲備

年內本集團及本公司儲備變動之詳情載於財務報表附註23。

可分派儲備

二零零一年十二月三十一日，本公司可分派予股東之儲備約為11,697,000港元，即實繳盈餘約83,353,000港元減累計虧損約71,656,000港元。

主要客戶及供應商

本集團五大客戶所佔總營業額之百分比如下：

本集團五大供應商所佔總採購額之百分比如下：

各董事、彼等之聯繫人士或任何股東（據董事所知擁有本公司已發行股本5%以上者）並無擁有以上任何五大客戶或供應商之權益。

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Directors

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

Executive directors:

| | |
|-----------------------------|----------------------------------|
| Mr. HEUNG Wah Keung | (appointed on 2 August 2001) |
| Ms. CHEN Ming Yin, Tiffany | (appointed on 2 August 2001) |
| Mr. LEI Hong Wai | (appointed on 28 September 2001) |
| Mr. HUNG Leung Tak, Jackson | (resigned on 31 August 2001) |
| Mr. HUNG Sun Yuen, Edmond | (resigned on 31 August 2001) |
| Ms. HUNG Jennifer | (resigned on 31 August 2001) |
| Mr. MAK Chun Ho | (resigned on 31 August 2001) |

Independent non-executive directors:

| | |
|----------------------------|--------------------------------|
| Mr. LAI Hok Lim | |
| Mr. Wong Yuen | (appointed on 31 August 2001) |
| Mr. TANG Chak Lam, Gilbert | (appointed on 6 February 2002) |
| Mr. YIU Wing Ngok, Steve | (resigned on 31 August 2001) |

In accordance with the Company's bye-laws, Mr. HEUNG Wah Keung, Ms CHEN Ming Yin, Tiffany, Mr LEI Hong Wai, Mr. LAI Hok Lim, Mr. WONG Yuen and Mr. TANG Chak Lam, Gilbert shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

董事

本年度及截至本報告日期之董事如下：

執行董事：

| | |
|-------|-------------------|
| 向華強先生 | (於二零零一年八月二日獲委任) |
| 陳明英女士 | (於二零零一年八月二日獲委任) |
| 李雄偉先生 | (於二零零一年九月二十八日獲委任) |
| 洪良德先生 | (於二零零一年八月三十一日辭任) |
| 洪新源先生 | (於二零零一年八月三十一日辭任) |
| 洪嘉林女士 | (於二零零一年八月三十一日辭任) |
| 麥真豪先生 | (於二零零一年八月三十一日辭任) |

獨立非執行董事：

| | |
|-------|-------------------|
| 黎學廉先生 | |
| 王沅先生 | (於二零零一年八月三十一日獲委任) |
| 鄧澤林先生 | (於二零零二年二月六日獲委任) |
| 姚永岳先生 | (於二零零一年八月三十一日辭任) |

根據本公司細則，向華強先生、陳明英女士、李雄偉先生、黎學廉先生、王沅先生及鄧澤林先生將於股東週年大會上輪值告退，惟符合資格膺選連任。

Report of the Directors 董事會報告書

Directors' Service Contracts

There are no existing or proposed service contracts between any of the directors and the Company or any of its subsidiaries respectively, other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Shares

At 31 December 2001, the interests of the directors and their associates in the share capital of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Interests in shares in the Company

| Name of director 董事姓名 | Nature of interest 權益性質 | Number of shares held 所持股份數目 | Shareholding percentage 持股百分比 |
|--|----------------------------|---------------------------------|----------------------------------|
| Mr. Heung Wah Keung * 向華強先生* | Corporate 公司 | 183,600,000 | 38.64% |
| Ms. Chen Ming Yin, Tiffany * 陳明英女士* | Corporate 公司 | 183,600,000 | 38.64% |

* This refers to the same number of 183,600,000 shares beneficially held by Classical Statue Limited ("CSL"), a wholly-owned subsidiary of China Star Entertainment Limited ("China Star"), a company in which Mr. Heung Wah Keung and Ms. Chen Ming Yin, Tiffany have controlling interests.

董事之服務合約

各董事分別與本公司或其附屬公司訂立或建議服務合約，惟於一年內屆滿或僱主可於一年內不付賠償（法定賠償除外）終止之合約除外。

董事之股份權益

根據本公司按照證券（披露權益）條例（「披露權益條例」）第29條存置之登記冊所載或本公司及香港聯合交易所有限公司（「聯交所」）根據上市公司董事進行證券交易的標準守則接獲之通知，於二零零一年十二月三十一日，各董事及其聯繫人士所擁有本公司或其相聯法團（定義見披露權益條例）之股本權益如下：

所擁有本公司股份權益

* 該權益指中國星集團有限公司（「中國星」）之全資附屬公司Classical Statute Limited（「CSL」）實益持有之183,600,000股，而向華強先生及陳明英女士共同擁有中國星集團有限公司之控制權。



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Directors' Interests in Shares (continued)

Save as disclosed in the section head "Share Options" below, at no time during the year was the Company or its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors or chief executives of the Company or to the spouse or children under 18 years of age of such director or chief executives, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate or had exercised any such rights.

Shares Options

The share option scheme (the "Scheme") of the Company was adopted by the Company on 19 January 2000. The major terms of the Scheme are summarised as follows:

1. The purpose of the Scheme was to provide incentives to the participants.
2. The participants of the Scheme included any employee or director of any member of the Group.
3. The maximum number of shares in respect of which options might be granted under the Scheme must not exceed 10% of the issued share capital of the Company from time to time and should be of maximum of 47,520,000 shares as at end of the year under review.
4. The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable under any option granted to the same participant under the Scheme, must not exceed 25% of the maximum shares issuable under the Scheme from time to time.

董事之股份權益 (續)

除下文「購股權」一節所披露者外，本公司、其控股公司、附屬公司或同系附屬公司於年內任何時間並無參與任何安排，致使本公司董事、行政總裁、彼等之配偶及未滿18歲之子女可藉購入本公司或各相聯法團任何股份或債券而獲益，而彼等亦無行使上述權利。

購股權

本公司之購股權計劃（「該計劃」）由本公司於二零零零年一月十九日通過。該計劃之主要條款概述如下：

1. 該計劃之目的在於獎勵參與者。
2. 該計劃之參與者包括本集團任何成員公司之任何僱員或董事。
3. 根據該計劃授出之購股權所涉及之股份總數，不得超過本公司當時已發行股本10%，並以回顧年度完結時之47,520,000股為限。
4. 每名參與者獲授之購股權所涉及之股份總數，加上其根據該計劃獲授之購股權已發行及可發行之股份，不得超過當時根據該計劃可發行之股份總數25%。

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Shares Options (continued)

5. No minimum period of holding is required before the option became exercisable.
6. The exercise period of an option granted under the Scheme must not exceed a period of 10 years after it has been granted.
7. The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee to the Company.
8. The exercise price of an option must be the higher of:
 - (i) a price not less than 80% of the average closing price of the share for the 5 trading days immediately preceding the grant; and
 - (ii) the nominal value of the share.
9. The life of the Scheme was originally effective for 10 years until 18 January 2010.

The fair value of the options granted in the current year totalled approximately HK\$0.57. The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

1. an expected volatility of 99.46%;
2. no annual dividends; and

購股權 (續)

5. 購股權並無規定於行使前須持有之最低期限。
6. 根據該計劃授出之購股權行使期不得超逾授出當日起計10年。
7. 購股權必須於授出日期起計28日內接納，而承授人於接納時須向本公司支付不可退回之款項1.00港元。
8. 購股權之行使價須為下列兩者之較高者：
 - (i) 不少於股份截至授出當日止5個交易日之平均收市價80%之價格；或
 - (ii) 股份面值。
9. 該計劃之有效期原定於二零一零年一月十八日屆滿，為期10年。

本年度授出之購股權公平值總額約為0.57港元。根據Black-Scholes購股權定價模式計算公平值時所用之重大假設如下：

1. 預期波動比率99.46%；
2. 並無年度股息；

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Shares Options (continued)

3. the estimated expected life of the options granted during the year ended 31 December 2001 is 10 years. The corresponding 10 year Hong Kong Exchange Fund Notes interest rate at the date the options were granted was 6.22 %.

The Black Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessary provide a reliable single measure of the fair value of the share options.

No charge is recognised in the income statement in respect of the value of options granted in the period.

The following table discloses movements in the Company's share options during the year.

| | | At 1 January 2001 於二零零一年 一月一日 | Number of options granted during the year 年內授出之 購股權數目 | Number of options exercised during the year 年內行使之 購股權數目 | At 31 December 2001 於二零零一年 十二月三十一日 |
|-----------|----|--|--|--|---|
| Employees | 僱員 | — | 15,000,000 | 15,000,000 | — |

No options were granted to the directors during the year.

購股權 (續)

3. 估計截至二零零一年十二月三十一日止年度授出之購股權行使期為10年。而於授出購股權當日，10年香港外匯基金票據之息率為6.22厘。

Black Scholes購股權定價模式依賴高度主觀之假設，其中包括股價之波動比率。由於該等主觀假設變動或會對所估計之公平值有重大影響，故此董事認為，現行定價模式未必為計算購股權公平值之單一可靠方法。

期內授出之購股權價值並無自收益表扣除。

下表載列年內本公司購股權之變動。

年內，董事概無獲授任何購股權。

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Shares Options (continued)

Details of the options are as follows:

購股權 (續)

購股權之詳情如下：

| Date of options granted 授出購股權日期 | Number of options granted 授出購股權數目 | Exercise period 行使期 | Exercise price per share 每股行使價 HK\$ 港元 | Closing market price prior to the granting of options 授出購股權前之收市價 HK\$ 港元 |
|------------------------------------|--------------------------------------|--|---|---|
| 7.2.2001 二零零一年二月七日 | 10,000,000 | 7.2.2001 to 18.1.2010 二零零一年二月七日至 二零一零年一月十八日 | 0.3610* | 0.44* |
| 17.4.2001 二零零一年四月十七日 | 1,500,000 | 17.4.2001 to 18.1.2010 二零零一年四月十七日至 二零一零年一月十八日 | 0.5488* | 0.69* |
| 20.4.2001 二零零一年四月二十日 | 500,000 | 20.4.2001 to 18.1.2010 二零零一年四月二十日至 二零一零年一月十八日 | 0.6240* | 0.90* |
| 29.5.2001 二零零一年五月二十九日 | 1,500,000 | 29.5.2001 to 18.1.2010 二零零一年五月二十九日至 二零一零年一月十八日 | 0.9776* | 1.24* |
| 1.6.2001 二零零一年六月一日 | 1,500,000 | 1.6.2001 to 18.1.2010 二零零一年六月一日至 二零一零年一月十八日 | 0.9936* | 1.22* |
| | <u>15,000,000</u> | | | |

* These prices had not been adjusted for the effect of bonus issue in November 2001 as all the options were exercised before the bonus issue.

* 由於所有購股權已於紅利發行前行使，故此該等價格並無就紅利發行於二零零一年十一月作出調整。

During the year under review, the Stock Exchange had revised the statutory requirements under the Rules Governing the Listing of Securities on the Stock Exchange in relation to the share option scheme of a listed issuer. Accordingly, subsequent to the end of the year under review, the Company adopted a new share option scheme (the "New Scheme") on 21 January 2002 to replace the Scheme to comply with the current requirements. On 8 March 2002, 19,950,000 options were granted under the New Scheme to employees and directors of the Company.

於回顧年度，聯交所修訂聯交所證券上市規則有關上市發行者購股權計劃之規定。因此，於回顧年度完結後，為符合現行規定，本公司於二零零二年一月二十一日採納新購股權計劃（「新計劃」），以取代該計劃。於二零零二年三月八日已根據新計劃向本公司僱員及董事授出19,950,000份購股權。

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Connected Transactions and Directors' Interests in Contracts

Details of the discloseable connected transactions with China Star and its subsidiaries and directors' interest in contracts for the year are set out in note 31 to the financial statements.

The independent non-executive directors of the Company have reviewed and confirmed that the connected transactions as set out in note 31 to the financial statements entered into by the Group were in the ordinary course of its business, on normal commercial terms and in accordance with the terms of the agreement governing such transactions.

Save as disclosed above, no contracts of significance 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 end of the year or at any time during the year.

關連交易及董事所擁有之合約權益

年內與中國星及其附屬公司進行之須予披露關連交易及董事所擁有之合約權益詳情載於財務報表附註31。

本公司獨立非執行董事已審閱及確認，財務報表附註31所述之本集團關連交易均於日常業務中根據一般商業條款及有關協議之條款進行。

除上文所披露者外，本公司或其附屬公司參與訂立而於年結日或年內任何時間仍然生效之重大合約中，本公司董事並無直接或間接擁有任何重大權益。

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Substantial Shareholders

As at 31 December 2001, the following parties were interested in 10% or more of the issued share capital of the Company as recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance:

| Name 名稱 | Shareholding interests (Shares) 股份權益(股) | | Total (Shares) 總計(股) | Percentage of issued share capital 佔已發行 股本百分比 | |
|-------------------------------|---|--------------|----------------------------|---|--------|
| | Direct 直接 | Deemed 間接 | | | |
| CSL | CSL | 183,600,000 | — | 183,600,000 | 38.64% |
| China Star | 中國星 | — | 183,600,000 | 183,600,000 | 38.64% |
| Top Vision Management Limited | Top Vision Management Limited | 79,200,000 | — | 79,200,000 | 16.67% |

Note: The shareholding interests held by China Star in the Company are held indirectly through CSL.

Save as disclosed above, at 31 December 2001, no other parties were recorded in the register required by the SDI Ordinance to be kept as having an interest of 10% or more of the issued share capital of the Company.

Retirement Benefits Scheme

With effect from the 1 December 2000, the Group has set up a defined contribution retirement scheme, the Mandatory Provident Fund Scheme (the "MPF Scheme"), for all the eligible employees of the Group. The Group did not provide retirement benefits for its employees prior to set up the MPF Scheme.

主要股東

於二零零一年十二月三十一日，根據本公司按照披露權益條例第16(1)條存置之登記冊所載，下列人士擁有本公司已發行股本10%或以上權益：

註：中國星所持之本公司股權均透過CSL間接持有。

除上文所披露者外，於二零零一年十二月三十一日，根據披露權益條例規定存置之登記冊所載，並無其他人士擁有本公司已發行股本10%或以上權益。

退休福利計劃

自二零零零年十二月一日起，本集團為所有合資格僱員設立一項界定供款退休計劃——強制性公積金計劃（「強積金計劃」）。於設立強積金計劃前，本集團並無為僱員提供任何退休福利。

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Retirement Benefits Scheme (continued)

Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries up to maximum of HK\$1,000 per employee and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of each employee's monthly salaries up to a maximum of HK\$1,000 (the "mandatory contributions"). The employees are entitled to 100% of the employer's mandatory contribution upon their retirement at the age of 65 years old, death or total incapacity.

Purchase, Sale and Redemption of the 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.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Post Balance Sheet Events

Details of significant events occurring after the balance sheet date are set out in note 32 to the financial statements.

Compliance with Code of Best Practice

In the opinion of the directors, the Company has complied throughout the year ended 31 December 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

退休福利計劃 (續)

根據強積金計劃，僱員均須按其月薪5%（最多以每員工1,000港元為限）作出供款，並可選擇作出額外供款。僱主每月之供款乃按各僱員月薪5%（最多以1,000港元為限）計算（「強制性供款」）。僱員可於65歲退休、逝世或完全失去工作能力時全數獲得僱主之強制性供款。

買賣或贖回本公司上市證券

本公司及其附屬公司於年內概無買賣或贖回本公司任何上市證券。

優先認購權

本公司之細則及百慕達法例並無有關優先認購權之規定，使本公司須按比例向現有股東發售新股。

結算日後事項

於結算日後發生之重大事項詳情載於財務報表附註32。

最佳應用守則

董事認為，本公司於截至二零零一年十二月三十一日止整個年度一直遵守聯交所證券上市規則附錄14所載之最佳應用守則。

Report of the Directors 董事會報告書

Auditors

During the year, Messrs. PricewaterhouseCoopers, who acted as auditors of the Company since its incorporation on 29 October 1999 resigned and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company.

A resolution will be submitted to the forthcoming annual general meeting to re-appoint auditors, Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board

Heung Wah Keung

Chairman

Hong Kong, 26 April 2002

核數師

年內，自一九九九年十月二十九日註冊成立以來一直擔任本公司之核數師羅兵咸永道會計師事務所辭任，而德勤·關黃陳方會計師行已獲委任為本公司核數師。

應屆股東週年大會上將提呈決議案，續聘德勤·關黃陳方會計師行為核數師。

代表董事會

主席

向華強

香港，二零零二年四月二十六日