

The directors present their annual report and the audited financial statements for the year ended 31st December 2004.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its subsidiaries and associates are set out in notes 15 and 18 to the financial statements respectively.

## RESULTS AND APPROPRIATION

The results of the Group for the year ended 31st December 2004 are set out in the consolidated income statement on page 25.

The directors do not recommend the payment of a dividend.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years ended 31st December 2004 is set out on page 76.

## PROPERTY, PLANT AND EQUIPMENT

The Group's leasehold land and buildings were revalued at 31st December 2004. The revaluation surplus of approximately HK\$1,559,000 has been credited 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 AND WARRANTS

Details of movements during the year in the share capital and outstanding warrants of the Company are set out in note 27 to the financial statements.

## RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 29 and note 28 to the financial statements respectively.

## DISTRIBUTABLE RESERVES

At 31st December 2004, the amount of the Company's reserves available for distribution to shareholders was approximately HK\$12,853,000, comprising the contributed surplus of approximately HK\$163,456,000 and the accumulated losses of approximately HK\$150,603,000.

董事會欣然呈報截至二零零四年十二月三十一日止年度之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，而各附屬公司及聯營公司之業務分別載於財務報表附註15及18。

## 業績及分派

本集團截至二零零四年十二月三十一日止年度之業績載於第25頁之綜合收益表。

董事會不建議派發股息。

## 五年財務概要

本集團截至二零零四年十二月三十一日止最近五個財政年度之業績、資產及負債概要載於第76頁。

## 物業、廠房及設備

本集團之租賃土地及樓宇於二零零四年十二月三十一日重估。重估盈餘約1,559,000港元已計入物業重估儲備。

年內本集團物業、廠房及設備之上述及其他變動之詳情載於財務報表附註13。

## 股本及認股權證

年內本公司股本及未行使認股權證變動之詳情分別載於財務報表附註27。

## 儲備

年內本集團及本公司儲備變動之詳情分別載於第29頁之綜合股本變動表及財務報表附註28。

## 可分派儲備

於二零零四年十二月三十一日，本公司可分派予股東之儲備金額約為12,853,000港元，包括約163,456,000港元之實繳盈餘及約150,603,000港元之累計虧損。

## MAJOR CUSTOMERS AND SUPPLIERS

The percentages of the aggregate turnover of distribution of films and sub-licensing of film rights for the year attributable to the Group's five largest customers are as follows:

The largest customer	38%
Five largest customers combined	78%

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

The largest supplier	42%
Five largest suppliers combined	52%

At 31st December 2004, China Star Entertainment Limited ("China Star"), a shareholder holding more than 5% of the Company's share capital had a beneficial interest in the Group's largest supplier. All transactions between the Group and the supplier concerned were carried out on normal commercial terms. Mr. Heung Wah Keung and his spouse, Ms. Chen Ming Yin, Tiffany, are also directors of and have beneficial interests in China Star.

Other than as disclosed above, 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.

## DIRECTORS

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

### Executive directors:

Mr. HEUNG Wah Keung (Chairman)
Ms. CHEN Ming Yin, Tiffany (Vice Chairman)
Mr. LEI Hong Wai (resigned as Chief Executive Officer on 24th September 2004)

### Independent non-executive directors:

Mr. TANG Chak Lam, Gilbert
Mr. HO Wai Chi (appointed on 30th September 2004)
Mr. LIEN Wai Hung (appointed on 12th April 2005)
Mr. LAI Hok Lim (resigned on 12th April 2005)

## 主要客戶及供應商

年內本集團五大客戶所佔發行電影及轉授電影發行權之總營業額之百分比如下：

最大客戶	38%
五大客戶合計	78%

年內本集團五大供應商所佔總採購額之百分比如下：

最大供應商	42%
五大供應商合計	52%

於二零零四年十二月三十一日，中國星集團有限公司（「中國星」，擁有本公司股本5%以上之股東）在本集團之最大供應商擁有實際權益。本集團與上述供應商之所有交易均按一般商業條款進行。向華強先生及其配偶陳明英女士為實益擁有中國星權益之董事。

除上文所披露者外，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）並無擁有以上任何本集團五大客戶或供應商之權益。

## 董事

年內及截至本報告日期之本公司董事如下：

### 執行董事：

向華強先生 (主席)
陳明英女士 (副主席)
李雄偉先生 (已於二零零四年九月二十四日辭任行政總裁)

### 獨立非執行董事：

鄧澤林先生
何偉志先生 (於二零零四年九月三十日獲委任)
連偉雄先生 (於二零零五年四月十二日獲委任)
黎學廉先生 (於二零零五年四月十二日辭任)

## DIRECTORS (Continued)

In accordance with the Company's bye-laws, Messrs. Ho Wai Chi, Lien Wai Hung and Lei Hong Wai shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

## DIRECTORS' SERVICE CONTRACTS

There are no existing or proposed service contracts between any of the directors and the Company or any of its subsidiaries, 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 31st December 2004, the interests of the directors and their associates in the shares and the underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") or as 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:

### Rights to acquire shares in the Company

Details of the share options to subscribe for shares of HK\$0.10 each in the Company granted to a director are as follows:

Name of director 董事姓名	Capacity 身份	Date of grant 授出日期	Exercisable period 行使期 (Note 1) (附註1)	Exercise price per share 每股行使價 HK\$ 港元	Number of share options outstanding at 1.1.2004 and 31.12.2004 於二零零四年一月一日及二零零四年十二月三十一日之未行使購股權數目		Percentage of the issued capital of the Company 佔本公司已發行股本百分比
						Number of underlying shares 相關股份數目 (Note 2) (附註2)	
Mr. Lei Hong Wai 李雄偉先生	Beneficial owner 實益擁有人	8.3.2002 二零零二年三月八日	8.3.2002 to 7.3.2012 二零零二年三月八日至 二零一二年三月七日	2.60	4,750,000	4,750,000	1%

## 董事 (續)

根據本公司細則，何偉志先生、連偉雄先生及李雄偉先生將於應屆股東週年大會上輪值告退，惟符合資格膺選連任。

根據本公司細則，各獨立非執行董事之任期將維持直至輪值告退為止。

## 董事之服務合約

各董事與本公司或其任何附屬公司並無現有或擬訂立之服務合約，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)終止之合約則除外。

## 董事之股份權益

根據本公司按證券及期貨條例(「證券及期貨條例」)第352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，於二零零四年十二月三十一日，各董事及彼等之聯繫人士所擁有本公司及其相聯法團之股份及相關股份權益如下：

### 購買本公司股份之權利

本公司向一名董事授出購股權以認購本公司每股0.10港元之股份之詳情如下：

**DIRECTORS' INTERESTS IN SHARES** (Continued)

**Rights to acquire shares in the Company** (Continued)

Notes:

1. The exercisable period commenced on the date of grant of the relevant share options.
2. This represents the maximum number of shares issuable upon exercise of the entire share options.

Save as disclosed above, at 31st December 2004, none of the directors nor their associates had any long or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or the spouse or children under 18 years of age of such director, 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 right to subscribe for the securities or had exercised any such rights.

**SHARE OPTION SCHEME**

Particulars of the Company's share option scheme and details of movements during the year in the share options to subscribe for shares of HK\$0.10 each in the Company granted under the share option scheme adopted on 21st January 2002 are set out in note 31 to the financial statements.

As disclosed in note 31 to the financial statements, the Company had granted a total number of 27,570,000 share options during the year. The directors consider that it is not appropriate to disclose the value of share options granted during the year since any valuation of the share options would be subject to a number of assumptions that would be subjective and uncertain.

**CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS**

Details of the discloseable connected transactions with China Star and its subsidiaries and directors' interests in contracts for the year are set out in note 33(a) and (b) to the financial statements.

**董事之股份權益 (續)**

**購買本公司股份之權利 (續)**

附註：

1. 行使期由有關購股權授出日期開始。
2. 指因行使全部購股權而可予發行之最高股份數目。

除上文所披露者外，於二零零四年十二月三十一日，各董事或彼等之聯繫人士概無於本公司或其任何相聯法團之任何股份、相關股份或債券中擁有任何好倉或淡倉。

除上文所披露者外，本公司或其任何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、彼等之配偶或未滿18歲之子女可藉購入本公司或任何其他法人團體任何股份或債券而獲益，而彼等亦無行使任何認購證券之權利或行使任何該等權利。

**購股權計劃**

本公司之購股權計劃詳情及根據本公司於二零零二年一月二十一日採納之購股權計劃而授出可認購本公司每股面值0.10港元股份之購股權在年內之變動詳情載於財務報表附註31。

如財務報表附註31所披露，本公司於年內曾授出合共27,570,000份購股權。由於購股權之任何估值將需要作出多項主觀及不確定之假設，故董事認為不適宜披露在年內授出之購股權之價值。

**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33(a)及(b)。

## CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

(Continued)

The independent non-executive directors of the Company have reviewed and confirmed that the connected transactions as set out in note 33(a) to (b) 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 agreements governing such transactions.

Save as disclosed above and in note 33 to the financial statements, 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.

## SUBSTANTIAL SHAREHOLDERS

At 31st December 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of the relevant interests or short positions in the shares and underlying shares of the Company:

### Long positions

Name 名稱	Notes 附註	Capacity 身份	Interest in issued shares 已發行股份權益	Interest in underlying shares 相關股份權益	Total interest 總權益	Percentage of the issued capital of the Company 佔本公司已發行 股本百分比
China Star 中國星	1	Interest of corporation 公司權益	192,998,000	45,170,000	238,168,000	50.12%
China Star Entertainment (BVI) Limited	1	Interest of corporation 公司權益	192,998,000	45,170,000	238,168,000	50.12%
Classical Statue Limited		Beneficial owner 實益擁有人	192,998,000	36,720,000	229,718,000	48.34%
First-Up		Beneficial owner 實益擁有人	—	8,450,000	8,450,000	1.78%
Top Vision Management Limited		Beneficial owner 實益擁有人	79,200,000	15,840,000	95,040,000	20.00%
Mr. Chan Kam Sum 陳錦心先生	2	Interest of corporation 公司權益	79,200,000	15,840,000	95,040,000	20.00%
Lucky Star Consultants Limited		Beneficial owner 實益擁有人	28,320,000	7,080,000	35,400,000	7.45%
Mr. Lau Tung Hoi 劉東海先生	3	Interest of corporation 公司權益	28,320,000	7,080,000	35,400,000	7.45%

## 關連交易及董事所擁有之合約權益 (續)

本公司獨立非執行董事已審閱及確認，財務報表附註33(a)及(b)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規限該等交易之有關協議之條款進行。

除上文及財務報表附註33所披露者外，在本公司或其任何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。

## 主要股東

於二零零四年十二月三十一日，根據本公司按照證券及期貨條例第336條存置之登記冊所載，下列股東已知會本公司其於本公司股份及相關股份之有關權益或淡倉：

### 好倉

**SUBSTANTIAL SHAREHOLDERS** (Continued)

**Long positions** (Continued)

Notes:

- 192,998,000 issued shares are beneficially owned by Classical Statue Limited and 36,720,000 and 8,450,000 underlying shares issuable are beneficially owned by Classical Statue Limited and First-Up respectively. Both Classical Statue Limited and First-Up are the wholly-owned subsidiaries of China Star Entertainment (BVI) Limited. China Star Entertainment (BVI) Limited is also the wholly-owned subsidiary of China Star.
- 79,200,000 issued shares and 15,840,000 underlying shares are held by Top Vision Management Limited which is wholly-owned by Mr. Chan Kam Sum.
- 28,320,000 issued shares and 7,080,000 underlying shares are held by Lucky Star Consultants Limited which is wholly-owned by Mr. Lau Tung Hoi.

**Short positions**

Name 名稱	Capacity 身份	Interest in issued shares 已發行股份權益
Top Vision Management Limited	Beneficial owner 實益擁有人	42,000,000
Mr. Chan Kam Sum 陳錦心先生	Interest of corporation 公司權益	42,000,000

The 42,000,000 issued shares for short positions are held by Top Vision Management Limited which is wholly-owned by Mr. Chan Kam Sum.

Save as disclosed above, at 31st December 2004, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company.

**RETIREMENT BENEFITS SCHEME**

Details of the Group's retirement benefits scheme are set out in note 32 to the financial statements.

**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.

**主要股東 (續)**

**好倉 (續)**

附註:

- 192,998,000股已發行股份由 Classical Statue Limited 實益擁有，而 36,720,000 股及 8,450,000 股相關可發行股份分別由 Classical Statue Limited 及 First-Up 實益擁有。Classical Statue Limited 及 First-Up 均為 China Star Entertainment (BVI) Limited 之全資附屬公司。China Star Entertainment (BVI) Limited 亦為中國星之全資附屬公司。
- 79,200,000 股已發行股份及 15,840,000 股相關股份由陳錦心先生全資擁有之 Top Vision Management Limited 持有。
- 28,320,000 股已發行股份及 7,080,000 股相關股份由劉東海先生全資擁有之 Lucky Star Consultants Limited 持有。

**淡倉**

Interest in underlying shares 相關股份權益	Total interest 總權益	Percentage of the issued capital of the Company 佔本公司已發行 股本百分比
—	42,000,000	8.83%
—	42,000,000	8.83%

淡倉之 42,000,000 股已發行股份由陳錦心先生全資擁有之 Top Vision Management Limited 持有。

除上文所披露者外，於二零零四年十二月三十一日，本公司並無獲知會任何其他於本公司已發行股本中之有關權益或淡倉。

**退休福利計劃**

本集團之退休福利計劃詳情載於財務報表附註 32。

**買賣及贖回本公司上市證券**

本公司及其任何附屬公司於年內概無買賣或贖回本公司任何上市證券。



## 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.

## CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied throughout the year ended 31st December 2004 with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except that the independent non-executive directors of the Company have not been appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

## ADOPTION OF THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the year.

The Company has received from each of the independent non-executive directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

## AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the audit committee of the Company were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The audit committee provides an important link between the board of directors of the Company and the Company's auditors in matters coming within the scope of the group audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation. The audit committee of the Company comprises all the independent non-executive directors, namely Messrs. Lai Hok Lim (resigned on 12th April 2005), Tang Chak Lam, Gilbert, Ho Wai Chi, Paul (appointed on 30th September 2004) and Lien Wai Hung (appointed on 12th April 2005). The unaudited interim report for the six months ended 30th June 2004 and the audited results of the Company for the year ended 31st December 2004 had been reviewed and the financial related matters had been discussed with management by the audit committee.

## 優先認購權

本公司細則或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份。

## 公司管治

董事認為，本公司於截至二零零四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（「上市規則」）附錄14所載之最佳應用守則（「該守則」），惟本公司之獨立非執行董事並無按該守則第7段之規定訂出特定委任年期，而須按照本公司細則規定於本公司之股東週年大會上輪值告退及重選。

## 採納標準守則

本公司已採納上市規則附錄10所載之標準守則為董事證券交易守則。本公司向全體董事作出特別查詢後，全體董事已確認彼等於年內已遵守標準守則所規定之標準。

本公司已收到各獨立非執行董事根據上市規則第3.13條之規定所發出有關其獨立性之年度確認書。本公司認為全體獨立非執行董事均具獨立性。

## 審核委員會

本公司已參照香港會計師公會刊發之「成立審核委員會之指引」編製及採納書面界定之本公司審核委員會職權範圍。審核委員會乃本公司董事會與本公司核數師之間就集團審核範圍事宜之重要聯繫，亦檢討外部及內部審核以及內部監控及風險評估之有效性。本公司之審核委員會由全體獨立非執行董事黎學廉先生（於二零零五年四月十二日辭任）、鄧澤林先生、何偉志先生（於二零零四年九月三十日獲委任）及連偉雄先生（於二零零五年四月十二日獲委任）組成。截至二零零四年六月三十日止六個月之未經審核中期報告及本公司截至二零零四年十二月三十一日止年度之經審核業績已由審核委員會審閱，而審核委員會亦已與管理層商討與財務相關之事宜。

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

## DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

At 31st December 2004, the aggregate amount of advances before allowance for bad and doubtful debts made by the Group to its associate, namely Gainful Fortune Limited ("Gainful"), was approximately HK\$163,055,000 which comprises of convertible notes of HK\$160,000,000 and amount due from Gainful of HK\$3,055,000. During the year, the convertible note of HK\$160,000,000 was fully provided by the Group and an allowance of HK\$2,755,000 was made for the amount due from Gainful of HK\$3,055,000. Details of Gainful and the particulars of the convertible notes are set out in note 18 to the financial statements and the details of the amount due from an associate are set out in note 22 to the financial statements.

The consolidated balance sheet of Gainful at 31st December 2004 is as follows:

		HK\$'000 千港元
Current assets	流動資產	5,541
Current liabilities	流動負債	(177,397)
Net current liabilities	流動負債淨值	(171,856)
Deficiency in shareholders' funds	股東資金虧絀	(171,856)

## POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 34 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

**Heung Wah Keung**

Chairman

Hong Kong, 25th April 2005

## 公眾持股量

根據本公司可取得之公開資料及據董事所知，本公司之公眾持股量在年內及截至本報告書日期均符合上市規則之要求。

## 根據上市規則第 13.20 條作出之披露

於二零零四年十二月三十一日，本集團向其聯營公司 Gainful Fortune Limited (「Gainful」) 作出未計呆壞賬撥備之墊款總額約為 163,055,000 港元，包括可換股票據 160,000,000 港元及 Gainful 應付之款項 3,055,000 港元。年內，本集團就 160,000,000 港元之可換股票據全數撥備並且就 Gainful 應付之款項 3,055,000 港元作出 2,755,000 港元之撥備。Gainful 及該等可換股票據之詳情載於財務報表附註 18 而該聯營公司應付之款項詳情載於財務報表附註 22。

Gainful 於二零零四年十二月三十一日之綜合資產負債表如下：

		HK\$'000 千港元
Current assets	流動資產	5,541
Current liabilities	流動負債	(177,397)
Net current liabilities	流動負債淨值	(171,856)
Deficiency in shareholders' funds	股東資金虧絀	(171,856)

## 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 34。

## 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本公司核數師。

代表董事會

主席

向華強

香港，二零零五年四月二十五日