

DIRECTORS' REPORT

董事會報告

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

董事會欣然提呈截至二零零四年十二月三十一日止年度之年報及經審核財務報表。

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 16 and 17 respectively to the financial statements.

主要業務

本公司為一間投資控股公司，其主要附屬公司及聯營公司之業務載於財務報表附註16及17。

RESULTS

The results of the Group for the year ended 31st December, 2004 are set out in the consolidated income statement on page 26.

業績

本集團截至二零零四年十二月三十一日止年度之業績詳情載於第26頁之綜合損益表。

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

董事並不建議派付股息及建議保留本年度之溢利。

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.

股本

本公司之股本之變動詳情載於財務報表附註30。

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers and suppliers of the Group accounted for less than 30% of the Group's turnover and purchases, respectively, for the year ended 31st December, 2004.

主要客戶與供應商

截至二零零四年十二月三十一日止年度，本集團五大客戶之總銷售額和五大供應商之購貨額，分別少於本集團營業額和購貨額之30%。

RESERVES

Under The Companies Act 1981 of Bermuda, the Company's contributed surplus account is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

儲備

根據百慕達之一九八一年公司法，本公司之繳入盈餘可分派予股東。然而，本公司於下列情況下則不能宣派或繳付股息或分派繳入盈餘：

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

- (a) 公司在繳款或將在繳款後則不能清還到期之負債；或
- (b) 公司資產之可變現價值少於公司之負債、已發行股本及股份溢價之總值。

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In the opinion of the directors, the Company's reserves available for distribution to its shareholders as at 31st December, 2004 are HK\$71,541,171, being the contributed surplus of HK\$78,446,813 less deficit of HK\$6,905,642.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 12 to the financial statements.

DIRECTORS

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

Executive Directors:

Mr. Lam Kwok Hing (*Chairman and Managing Director*)

Mr. Nam Kwok Lun (*Deputy Chairman*)

(*appointed on 5th February, 2005*)

Mr. Lam Kwok Yan (*resigned on 5th February, 2005*)

Independent Non-executive Directors:

Mr. Ng Chi Kin David

Mr. Cheung Kin Wai

Mr. Kwan Wang Wai Alan (*re-designated as Independent Non-executive Director on 27th April, 2004*)

In accordance with clause 86(2) of the Company's Bye-laws, Mr. Nam Kwok Lun shall hold office until the forthcoming annual general meeting and, being eligible offer himself for re-election.

In accordance with Clause 87 of the Company's Bye-laws, Mr. Kwan Wang Wai Alan retires and, being eligible, offers himself for re-election.

The terms of office of each independent Non-executive Director are the period up to their retirement by rotation in accordance with the above clause.

The director being proposed for re-election at the forthcoming annual general meeting does not have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

就董事們之意見，截至二零零四年十二月三十一日，本公司可派予股東之儲備為71,541,171港元（即由78,446,813港元之繳入盈餘賬扣減6,905,642港元之虧損）。

物業、廠房及設備

本集團有關物業、廠房及設備之變動詳情載於財務報表12。

董事

於年內和直至本報告刊發日，本公司董事董事如下：

執行董事：

藍國慶先生 (*主席兼董事總經理*)

藍國倫先生 (*副主席*)

(*於二零零五年二月五日獲委任*)

藍國恩先生 (*於二零零五年二月五日辭任*)

獨立非執行董事：

伍志堅先生

張健偉先生

關宏偉先生 (*於二零零四年四月二十七日獲重新委任為獨立非執行董事*)

根據公司細則第86(2)條，藍國倫先生將留任直至應屆股東週年大會為止，並願膺選連任。

根據公司細則第87條，關宏偉先生將任滿告退，惟願於應屆股東週年大會上膺選連任。

各獨立非執行董事之任期根據以上之公司附例輪選退任。

擬於即將舉行之股東大會上重選連任之董事概無與本公司或其任何附屬公司訂有不能由本集團於一年內免付賠償(法定賠償除外)終止之未屆滿服務合約。

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DIRECTORS' SERVICE CONTRACTS

Each of Executive Directors had a service contract with the Company. These service contracts continued unless and until terminated by either the Company or the directors giving to the other 6 months' notice in writing.

DIRECTORS' INTERESTS IN SHARES

At 31st December, 2004, the interests of the directors in the share capital 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:

Long position

(a) Ordinary shares of HK\$0.01 each of the Company

董事服務合約

各執行董事分別與公司訂立服務合約，除非和直至被公司或董事以六個月書面通知終止有關之服務合約，合約將仍然生效。

董事之股份權益

於二零零四年十二月三十一日，根據證券及期貨條例第352條，本公司須存置之登記冊所記錄或根據上市公司董事進行證券交易之標準守則，須知會本公司及香港聯合交易所有限公司（「聯交所」），董事於本公司及其聯營公司之股本權益如下：

長倉

(a) 於本公司每股面值0.01港元之普通股

Name of director	Number of issued ordinary shares held 持有之已發行普通股		Total	Percentage of the issued share capital of the Company 所持普通股數目 佔本公司已發行 股本百分比
	Personal interest	Corporate interest		
董事姓名	個人權益	公司權益	總額	
Mr. Lam Kwok Yan 藍國恩先生	3,475,167	97,041,333 (Note 1) (附註1)	100,516,500	23.57%
Mr. Lam Kwok Hing 藍國慶先生	3,475,167	247,041,333 (Notes 1 & 2) (附註1及2)	250,516,500	58.74%

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Notes:

(1) At 31st December, 2004, an aggregate of 97,041,333 shares of the Company were held by Optimist International Limited ("Optimist"), a wholly-owned subsidiary of Medusa Group Limited ("Medusa"). Messrs. Lam Kwok Yan and Lam Kwok Hing ("Messrs. Lam") are each entitled to exercise or control the exercise of one-third or more of the voting rights at general meetings of Medusa, which in turn is entitled to exercise or control the exercise of one-third or more of the voting rights at general meetings of Optimist. Accordingly, under the SFO, Messrs. Lam are each deemed to be interested in all the 97,041,333 shares of the Company held by Optimist.

(2) The amount composed of 97,041,333 and 150,000,000 shares of the Company that were held by Optimist and Karfun Investments Limited ("Karfun") respectively. Karfun is a wholly-owned subsidiary of Karl Thomson Holdings Limited, a company in which Mr. Lam Kwok Hing has a beneficial interest.

(b) Ordinary shares of HK\$1 each of Asia Nice Art Production Limited, a 60% owned subsidiary of the Company

附註：

(1) 於二零零四年十二月三十一日，合共 97,041,333股之本公司股份由 Optimist International Limited (「Optimist」) 持有，Optimist 為 Medusa Group Limited (「Medusa」) 之全資附屬公司。由於藍國恩先生及藍國慶先生 (「諸位藍先生」) 各有權在 Medusa 之股東大會上行使或控制三分之一或以上之投票權，而 Medusa 亦有權在 Optimist 之股東大會上行使或控制三分之一或以上之投票權。因此，根據證券及期貨條例，諸位藍先生個別被視為擁有 Optimist 所持之 97,041,333 股本公司股份之權益。

(2) 該數目包括了由 Optimist 和佳帆投資有限公司 (「佳帆」) 分別持有之 97,041,333 股和 150,000,000 股本公司之股份。佳帆是高信投資控股有限公司之全資附屬公司，藍國慶先生於為該公司的實益擁有人。

(b) 於相聯法團之股份權益 - 羚藝亞洲廣告製作有限公司

Name of director	Number of issued ordinary shares held	Percentage of the issued share capital of Asia Nice Art Production Limited
董事姓名	Personal interests 所持普通股之數目 個人權益	佔羚藝亞洲廣告 製作有限公司 已發行股本百分比
Mr. Lam Kwok Yan 藍國恩先生	1,000	10%

Save as disclosed above, except for nominee shares in certain subsidiaries held in trust for the Company by certain directors, none of the directors, the chief executive or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31st December, 2004.

於二零零四年十二月三十日，除上文所披露及部份董事以本公司代理人持有本公司某些附屬公司股份之外，概無董事、主要行政人員或其聯繫人士於本公司或其他何聯營公司持有任何股份、相關股份或債券之權益或淡倉。

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CONNECTED TRANSACTIONS

- (1) On 19th January, 2004, the Group has entered into an agreement to dispose 40 shares in Asia Vigour (Holdings) Limited ("AVPH"), which represent 40% interest in AVPH, for a consideration of HK\$2.5 million. AVPH is an investment holding company and its only asset is a wholly owned subsidiary named Asia Vigour Productions Limited ("AVP"). AVP is principally engaged in the business of promoting and organizing live concert shows. According to the agreement, the Group was required to dispose 18 shares in AVPH to one of the key management members who was also the Director in AVP before the completion ("Management Sale Shares"). The Management Sale Shares represents a disposal of interest to a connected person in accordance with the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange issued before 1st April, 2004.
- (2) During the year, the Company has issued a convertible note to Karfun and Karfun has converted the convertible note. Details of the convertible note are set out in note 34 to the financial statements.
- (3) As announced by the Company in its circular dated 31st March, 2004, Intech Machines Company, Limited ("IML"), the subsidiary of the Company at time of disclosure, would apply for a placing of 13,400,000 shares ("IML Shares") for an aggregated subscription price of NT\$100,500,000 ("IML Share Placing"). As certain directors of IML may subscribe for the IML Shares, the IML Share Placing constitutes a connected transaction for the Company under the Listing Rules issued before 1st April, 2004. It was intended that the Company or its subsidiaries will subscribe IML Shares for not more than 10,000,000 IML Shares for an aggregate subscription price of not more than NT\$75,000,000. The IML Share Placing was conditional upon the approval of (a) the Company's Shareholders; and (b) the Securities and Futures Commission, Ministry of Finance in Taiwan. The Company's shareholders' approvals were subsequently obtained while the Securities and Futures Commission, Ministry of Finance in Taiwan although approved the IML

關連交易

- (1) 於二零零四年一月十九日，本集團簽訂協議，以2,500,000港元作價出售Asia Vigour (Holdings) Limited(「AVPH」)的40股股份，佔AVPH 40%權益。AVPH是一間投資控股公司，其唯一資產是一間全資附屬公司恒藝亞洲製作有限公司(「恒藝亞洲」)。恒藝亞洲主要從事演唱會製作及推廣。根據協議，本集團須於轉讓AVPH的18股股份予其中一位主要管理人員(「予管理層出售股份」)，該人員亦為恒藝亞洲之董事。根據聯交所於二零零四年四月一日前之證券上市規則(「上市規則」)，該予管理層出售股份構成對關連人士出售權益。
- (2) 於年內，本公司已向佳帆發行可換股票據，而佳帆亦已轉換可換股票據。有關可換股票據的詳情載於財務報表附註34。
- (3) 按本公司於二零零四年三月三十一日之通函所載，本公司之附屬公司(以當時披露的時間)亞智將申請配售13,400,000股(「亞智股份」)，總認購價為100,500,000新台幣(「亞智股份配售」)。由於部份亞智董事可認購亞智股份，根據聯交所於二零零四年四月一日前之上市規則，亞智股份配售因而構成本公司之一項關連交易。本公司或其附屬公司擬將認購數目不超過10,000,000股亞智股份，總認購價不超過75,000,000新台幣。亞智股份配售須待(a)本公司之股東；及(b)台灣財政部證券暨期貨管理委員會批准後，方可作實。亞智股份配售已分別獲本公司股東及台灣財政部證券暨期貨管理委員會之批准，但

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Share Placing, did not grant a immediate listing approval and instead suggested to review the listing approval three years later for the reason that the subscription price was far lower than the market price. In view of the uncertainty of getting listing approval and the improved working capital situation in IML because of increased orders, IML decided not to go ahead with the IML Share Placing and the Company decided not to go ahead with the share subscription.

後者並沒授予即時上市的批准，並建議會於三年後對上市批准作檢討，原因是認為認購價遠低於市場價。鑒於對獲取上市批准的不明朗情況及亞智因訂單增加而營運資金有所改善，亞智決定不進行亞智股份配售，而本公司亦不會進行股份認購。

- (4) As announced by the Company in its circular dated 31st March, 2004, the Company would grant certain employees of IML (including directors of IML) a call option to acquire up to a maximum of 6,000,000 IML shares as held by the Company within a period of 6 years at an option price of at least NT\$7.5 per share depending on the market condition when the option is granted if those qualified grantees could fulfil certain conditions and performance targets as determined by the Board from time to time ("Incentive Option Scheme"). Pursuant to the Listing Rules issued before 1st April, 2004, as certain directors of IML will be qualified to receive the call options, the Incentive Option Scheme constitutes a connected transaction of the Company. As of the reporting date, no such call option was granted under the Incentive Option Scheme and due to the change of Listing Rules, any option to be granted in the future does not constitute a connected transaction.
- (4) 按本公司於二零零四年三月三十一日之通函所載，若合資格承授人能符合亞洲聯網董事會不時釐定之某些條件及表現目標，本公司將向亞智部份僱員(包括亞智之董事)授予一項購股權，可於六年內不時購入本公司持有之亞智股份最多6,000,000股。購股權價格最少為每股亞智股份7.5新台幣，並將視乎授出購股權時之市場狀況而定。〔獎勵性購股權計劃〕。根據聯交所於二零零四年四月一日前之上市規則，由於亞智部份董事亦合資格獲授購股權，獎勵性認購股權計劃構成本公司之一項關連交易。截至本報告日，概沒授出任何於獎勵性購股權計劃下之購股權。由於上市規則的修訂，日後授出任何購股權亦不再構成關連交易。
- (5) During the year, the Company has acquired an offshore company from Mr. Lam Kwok Hing, the Chairman, Executive Director and Managing Director of the Company at nil consideration. There was no asset or liability left in such offshore company at date of acquisition.
- (5) 於年內，本公司向本公司之主席、執行董事兼董事總經理藍國慶先生，以零作價，收購了一間離岸公司。於收購當日，該離岸公司並無任何資產或負債。
- (6) During the year, the Group has paid HK\$15,036 as brokerage commission to Karl Thomson Securities Company Limited, which is a wholly owned subsidiary of Karl Thomson Holdings Limited in which Mr. Lam Kwok Hing has a beneficial interest.
- (6) 於年內，本集團已向高信集團控股有限公司之全資附屬公司高信證券有限公司，支付15,036港元作為證券交易之佣金。藍國慶先生是該公司之實益擁有人。

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DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed under the heading "connected transactions" above, no contract 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 the end of the year or at any time during the year.

CONVERTIBLE NOTE

Particulars of the issue and conversion of the convertible note of the Company during the year are set out in notes 30 and 34 to the financial statements.

SHARE OPTIONS

The Company has share options schemes under which executive directors and employees of the Company or any of its subsidiaries may be granted options to subscribe for shares in the Company. Details of the options schemes and the options granted to the directors are set out in note 31 to the financial statements. All the options lapsed during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the directors of the Company or their respective spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

董事於重大合約的權益

於本年度止或於本年內任何期間，除於上述有關關連交易部份所披露外，本公司或其任何附屬公司概無訂立與本公司董事直接或間接有重大利益之合約。

可換股票據

於年內，有關本公司之可換股票據之發行及轉換之詳情載於財務報表附註30及34。

購股權計劃

本公司設有購股權計劃，董事會可向本公司或其附屬公司之執行董事及僱員授出購股權以認購本公司之股份。購股權計劃和已授予董事之購股權之詳情載於財務報表附註31。於本年內，所有購股權經已失效。

董事收購股份或債券之權利

除上文所披露及於年內任何時間，本公司或其附屬公司概無訂立任何安排，令本公司董事或其配偶或其低於十八歲之子女，可藉收購本公司或任何其他法人團體之股份或債券而獲得利益。

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SUBSTANTIAL SHAREHOLDERS

At 31st December, 2004, according to the register maintained by the Company pursuant to Section 336 of the SFO and so far as was known to the Directors, the following shareholder was interested in 5% or more of the Company's issued share capital:

Long positions in the ordinary shares of HK\$0.01 each of the Company

主要股東

根據本公司按證券及期貨條例第336條而須保存之主要股東登記冊所載，以及就董事所知，於二零零四年十二月三十一日，下列人士擁有本公司已發行股本5%以上權益：

於本公司每股面值0.01港元普通股之長倉

Name of Shareholder 股東名稱	Capacity 身份	Number of issued ordinary shares held 所持已發行普通股數目	Percentage of the share Capital of the Company 佔本公司股本百分比
Optimist International Limited (Note 1)	Interest of contolled corporation 受控制法團之權益	97,041,333	22.75%
Karfun Investments Limited (Note 2)	Interest of contolled corporation 受控制法團之權益	150,000,000	35.17%

Notes: (1) Please refer note (1) under the section heading Director's Interests in Shares.

附註：(1) 請參閱「董事之股份權益」項下之附註(1)。

(2) Please refer to note (2) under the section heading Director's Interests in Shares.

(2) 請參閱「董事之股份權益」項下之附註(2)。

Save as disclosed above, at 31st December, 2004, there is no person known to any Director or chief executive of the Company, who is directly or indirectly, interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of any member of the Company.

除上述披露者外，於二零零四年十二月三十一日，就董事或本公司主要行政人員所知，概無其他人士直接或間接實益擁有在本公司任何成員之公司股東大會上，有權於任何情況下投票之任何類別股本或有關該股本之任何購股權面值5%或以上之權益。

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

購入、出售或贖回本公司之上市證券

本公司及其任何附屬公司於本年內概無購買、出售或贖回本公司任何上市證券。

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董事會報告

PRE-EMPTIVE RIGHTS

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

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

In the opinion of the directors, the Company has complied with the Code of Best Practices as set out in Appendix 14 of the Listing Rules (which was in force prior to 1st January, 2005) which specifies the best practices to be followed by the directors throughout the year ended 31st December, 2004, except that independent non-executive directors of the Company have no fixed terms of office but will retire from office on a rotation basis in accordance with the Company's Bye-laws.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code.

INDEPENDENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors, the Company has maintained sufficient public float as required under the Listing Rules as at the date of this report.

優先購買權

根據本公司細則或百慕達法例，並無優先購買權的規定，要求公司以按比例基準向現有股東給予新股。

符合上市規則之最佳應用守則

董事認為，除本公司獨立非執行董事並無固定任期，惟須按本公司之公司細則輪值告退外，截至二零零四年十二月三十一日止年度，本公司一直遵守於二零零五年一月一日前有效之上市規則附錄十四所載規定董事須予遵守之最佳應用守則。

董事進行證券交易之操守守則

本公司已採納上市規則附錄10之標準守則為董事進行證券交易之行為守則。經向全體董事個別作出查詢後，本公司確認全體董事已遵守標準守則規定之準則。

獨立非執行董事之獨立性

本公司已接獲各獨立非執行董事之年度確認書，確認彼等符合上市規則第3.13條所載有關獨立性之規定。本公司認為全體獨立非執行董事均為獨立人士。

公眾持股量

基於公開予本公司查閱之資料及據董事所知悉，截至本報告日期為止，本公司一直維持上市規則所規定之公眾持股量。

DIRECTORS' REPORT
董 事 會 報 告**AUDIT COMMITTEE**

The Company has established an Audit Committee in accordance with the requirements of the Listing Rules. At present, members of the committee comprise Mr. Cheung Kin Wai, Kwan Wang Wai Alan and Ng Chi Kin David, being the three independent non-executive directors of the Company. During the year, the Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters, including the review of audited financial statement for the year ended 31st December, 2004.

POST BALANCE SHEET EVENTS

Details of the post balance sheet events are set out in note 42 to the financial statements.

AUDITORS

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

On behalf of the Board

LAM KWOK HING

CHAIRMAN AND MANAGING DIRECTOR

Hong Kong, 25th April, 2005

審核委員會

本公司已根據上市規例成立了審核委員會。現時，審核委員會的成員包括本公司的三位獨立非執行董事張健偉先生、關宏偉先生和伍志堅先生。審核委員會已與管理層檢討本集團所採用之會計政策及慣例，並商討有關審核和財務申報事宜，當中包括審核截至二零零四年十二月三十一日止年度的經審核財務報表。

結算日後之事項

有關結算日後之事項之詳情載於財務報表附註42。

核數師

本公司將於股東週年大會上提呈決議案，再度聘任德勤·關黃陳方會計師行為本公司之核數師。

承董事局命

主席兼董事總經理

藍國慶

香港，二零零五年四月二十五日