

# REPORT OF THE DIRECTORS

## 董事會報告書

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2005.

### PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its subsidiaries and associates are set out in notes 9 and 11 to the financial statements respectively.

### RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 36.

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

### FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years ended 31 December 2005 is set out on page 112.

### PROPERTY, PLANT AND EQUIPMENT

Details of this and other movements during the year in the property, plant and equipment of the Group are set out in note 6 to the financial statements.

### SHARE CAPITAL AND WARRANTS

Details of movements during the year in the share capital and warrants of the Company are set out in note 19 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 37 and note 20 to the financial statements respectively.

董事會欣然呈報截至二零零五年十二月三十一日止年度之年報及經審核財務報表。

### 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9及11。

### 業績及分派

本集團截至二零零五年十二月三十一日止年度之業績載於第36頁之綜合收益表。

董事會不建議派發本年度之股息。

### 五年財務概要

本集團截至二零零五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112頁。

### 物業、廠房及設備

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6。

### 股本及認股權證

年內本公司股本及認股權證變動之詳情分別載於財務報表附註19。

### 儲備

年內本集團及本公司儲備變動之詳情分別載於第37頁之綜合股本變動表及財務報表附註20。

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### DISTRIBUTABLE RESERVES

At 31 December 2005, the Company had no reserves available for distribution.

### 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	52%

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

The largest supplier	27%
Five largest suppliers combined	43%

At 31 December 2005, 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.

### 可分派儲備

於二零零五年十二月三十一日，本公司並無可分派儲備。

### 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	52%

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	27%
五大供應商合計	43%

於二零零五年十二月三十一日，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亦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。

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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 (*Chairman*)  
Ms. Chen Ming Yin, Tiffany (*Vice Chairman*)  
Mr. Lei Hong Wai (resigned on 13 October 2005)

#### Independent non-executive directors:

Mr. Tang Chak Lam, Gilbert  
Mr. Ho Wai Chi, Paul  
Mr. Lien Wai Hung (appointed on 12 April 2005)  
  
Mr. Lai Hok Lim (resigned on 12 April 2005)

In accordance with the Company's bye-laws, Mr. Heung Wah Keung and Ms. Chen Ming Yin, Tiffany 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).

### 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 (已於二零零五年十月十三日辭任)

#### 獨立非執行董事：

鄧澤林先生  
何偉志先生  
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)

根據本公司細則，向華強先生及陳明英女士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。

# REPORT OF THE DIRECTORS

## 董事會報告書

### DIRECTORS' INTERESTS IN SHARES

At 31 December 2005, none of the directors nor their associates had any long or short positions in any shares, underlying shares or debentures of the Company and its associated corporation, as recorded in the register ("Register of Interests") 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 Issuers (the "Model Code").

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 right to subscribe for the securities or had exercised any such rights.

### SHARE OPTION SCHEMES

Particulars of the Company's share option schemes and details of movements in the share options to subscribe for shares of HK\$0.01 each in the Company granted under the share option scheme adopted on 21 January 2002 are set out in note 37 to the financial statements.

### 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 39 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 39 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 39 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.

### 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(「標準守則」)接獲之通知，於二零零五年十二月三十一日，各董事及彼等之聯繫人士概無擁有本公司及其相聯法團之股份、相關股份及債券之任何好倉或淡倉。

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0.01港元股份之購股權之變動詳情載於財務報表附註37。

### 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39。

本公司獨立非執行董事已審閱及確認，財務報表附註39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。

除上文所披露者及財務報表附註39所披露者外，在本公司或其任何附屬公司參與訂立而於年終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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## 董事會報告書

### SUBSTANTIAL SHAREHOLDERS

At 31 December 2005, the register of substantial shareholders maintained by the Company under Section 336 of the SFO (“Register of Substantial Shareholders”) showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

#### Long positions

Name 名稱	Notes 附註	Capacity 身份	Interest in shares 股份權益	Interest in underlying shares 相關股份權益	Total interest 股份總權益	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 and 6 1及6	Interest of corporation 公司權益	2,116,590,000	nil 無	2,116,590,000	41.06%
China Star Entertainment (BVI) Limited	1 and 6 1及6	Interest of corporation 公司權益	2,116,590,000	nil 無	2,116,590,000	41.06%
Classical Statue Limited		Beneficial owner 實益擁有人	2,116,590,000	nil 無	2,116,590,000	41.06%
Top Vision Management Limited		Beneficial owner 實益擁有人	792,000,000	nil 無	792,000,000	15.37%
Mr. Chan Kam Sum 陳錦心先生	2	Interest of corporation 公司權益	792,000,000	nil 無	792,000,000	15.37%
Lucky Star Consultants Limited		Beneficial owner 實益擁有人	354,000,000	nil 無	354,000,000	6.87%
Mr. Lau Tung Hoi 劉東海先生	3	Interest of corporation 公司權益	354,000,000	nil 無	354,000,000	6.87%
Leadfirst Limited		Beneficial owner 實益擁有人	nil 無	1,000,000,000	1,000,000,000	19.40%
Mr. Benny Ki 紀明寶先生	4	Interest of corporation 公司權益	nil 無	1,000,000,000	1,000,000,000	19.40%
Mr. Benny Ki 紀明寶先生	5	Beneficial owner 實益擁有人	nil 無	500,000,000	500,000,000	9.70%

### 主要股東

除上文所披露若干董事之權益外，於二零零五年十二月三十一日，根據本公司按照證券及期貨條例第336條存置之主要股東登記冊（「主要股東登記冊」）所載，下列於本公司已發行股本擁有5%或以上之權益：

#### 好倉

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### SUBSTANTIAL SHAREHOLDERS (Continued)

#### Long positions (Continued)

Notes:

- 2,116,590,000 shares are beneficially owned by Classical Statue Limited. Classical Statue Limited is a wholly-owned subsidiary of China Star Entertainment (BVI) Limited. China Star Entertainment (BVI) Limited is also a wholly-owned subsidiary of China Star.
- 79,200,000 shares are held by Top Vision Management Limited, which is wholly-owned by Mr. Chan Kam Sum.
- 354,000,000 shares are held by Lucky Star Consultants Limited, which is wholly-owned by Mr. Lau Tung Hoi.
- 1,000,000,000 shares to be issued upon full conversion of the convertible notes to be issued to Leadfirst Limited, which is wholly-owned by Mr. Benny Ki. On 31 March 2006, Leadfirst Limited and Mr. Benny Ki ceased to have any interest of the Company.
- 500,000,000 shares to be issued upon exercise of the option to be granted to Mr. Benny Ki.
- Mr. Heung Wah Keung, Ms. Chen Ming Yin, Tiffany and Mr. Ho Wai Chi, Paul are directors of the Company and China Star. Mr. Heung Wah Keung and Ms. Chen Ming Yin, Tiffany are also directors of China Star Entertainment (BVI) Limited and Classical Statue Limited.

#### Short positions

Name 名稱	Note 附註	Capacity 身份	Interest in shares 股份權益
Top Vision Management Limited		Beneficial owner 實益擁有人	420,000,000
Mr. Chan Kam Sum 陳錦心先生	1	Interest of corporation 公司權益	420,000,000

Note:

- 420,000,000 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 31 December 2005, the Company has not been notified of any other relevant interest or short positions in the issued shares capital of the Company.

### 主要股東 (續)

#### 好倉 (續)

附註：

- 2,116,590,000股股份由Classical Statue Limited實益擁有。Classical Statue Limited為China Star Entertainment (BVI) Limited之全資附屬公司。China Star Entertainment (BVI) Limited為中國星之全資附屬公司。
- 792,000,000股股份由陳錦心先生全資擁有之Top Vision Management Limited持有。
- 354,000,000股股份由劉東海先生全資擁有之Lucky Star Consultants Limited持有。
- 1,000,000,000股股份將於悉數兌換可能發行予紀明寶先生全資擁有之Leadfirst之可換股票據時予以發行。於二零零六年三月三十一日，Leadfirst及紀寶明先生不再擁有本公司之任何權益。
- 500,000,000股股份將於向紀明寶先生授出之購股權獲行使時予以發行。
- 向華強先生、陳明英女士及何偉志先生為本公司及中國星之董事。向華強先生及陳明英女士為China Star Entertainment (BVI) Limited及Classical Statue Limited之董事。

#### 淡倉

Interest in underlying shares 相關股份 權益	Total interest 股份總權益	Percentage of the issued capital of the Company 佔本公司 已發行股本 百分比
—	420,000,000	8.15%
—	420,000,000	8.15%

附註：

- 淡倉之420,000,000股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，於二零零五年十二月三十一日，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。

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### RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits scheme are set out in note 38 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.

### 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

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 14 to 22.

### 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.

### SUBSEQUENT EVENTS

Details of the significant subsequent events are set out in note 41 to the financial statements.

### AUDITORS

Messrs. HLB Hodgson Impey Cheng were appointed as the auditors of the Company in succession to Messrs. Deloitte Touche Tohmatsu who resigned from the office with effect from 28 April 2004. Messrs. HLB Hodgson Impey Cheng will retire and, being eligible, offer themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting.

A resolution for the re-appointment of Messrs. HLB Hodgson Impey Cheng as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board

**Heung Wah Keung**  
Chairman

Hong Kong, 24 April 2006

### 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38。

### 買賣及贖回本公司之上市證券

本公司及其任何附屬公司於本年度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

本公司致力維持高水準之企業管治敘規。本公司採納之企業管治敘規資料載於第14至22頁之「企業管治報告」。

### 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。

### 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41。

### 核數師

由二零零四年四月二十八日起，國衛會計師事務所獲委任為本公司核數師，以接替辭任核數師一職之德勤•關黃陳方會計師行。國衛會計師事務所將行退任，惟符合資格願意於應屆股東週年大會上獲續聘為本公司核數師。

應屆股東週年大會上將提呈決議案，續聘國衛會計師事務所為本公司核數師。

代表董事會

主席  
向華強

香港，二零零六年四月二十四日