



**豐采多媒體集團**

Riche multi-media

Riche Multi-Media Holdings Limited

(Incorporated in Bermuda with limited liability)

**豐采多媒體集團有限公司**

(於百慕達註冊成立之有限公司)

Stock Code 上市編號: 0764

Annual Report  
年報 **2005**

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# CORPORATE INFORMATION

## 公司資料

### BOARD OF DIRECTORS

#### Executive directors

Mr. Heung Wah Keung (*Chairman*)  
Ms. Chen Ming Yin, Tiffany (*Vice Chairman*)

#### Independent non-executive directors

Mr. Tang Chak Lam, Gilbert  
Mr. Lien Wai Hung  
Mr. Ho Wai Chi, Paul

### COMPANY SECRETARY

Mr. Chan Kin Wah, Billy

### AUDIT COMMITTEE

Mr. Tang Chak Lam, Gilbert  
Mr. Ho Wai Chi, Paul  
Mr. Lien Wai Hung

### REMUNERATION COMMITTEE

Ms. Chen Ming Yin, Tiffany  
Mr. Tang Chak Lam, Gilbert  
Mr. Lien Wai Hung

### NOMINATION COMMITTEE

Mr. Heung Wah Keung  
Mr. Tang Chak Lam, Gilbert  
Mr. Lien Wai Hung

### FINANCE COMMITTEE

Mr. Heung Wah Keung  
Mr. Ho Wai Chi, Paul

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

### 董事會

#### 執行董事

向華強先生 (主席)  
陳明英女士 (副主席)

#### 獨立非執行董事

鄧澤林先生  
連偉雄先生  
何偉志先生

### 公司秘書

陳健華先生

### 審核委員會

鄧澤林先生  
何偉志先生  
連偉雄先生

### 薪酬委員會

陳明英女士  
鄧澤林先生  
連偉雄先生

### 提名委員會

向華強先生  
鄧澤林先生  
連偉雄先生

### 財務委員會

向華強先生  
何偉志先生

### 註冊辦事處

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

# CORPORATE INFORMATION

## 公司資料

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 609-610, 6th Floor  
Miramar Tower  
132 Nathan Road  
Tsimshatsui  
Kowloon  
Hong Kong

### BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited  
Bank of Bermuda Building  
6 Front Street  
Hamilton HM11  
Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Standard Registrars Limited  
Share Registration Public Office  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

### AUDITORS

HLB Hodgson Impey Cheng  
*Chartered Accountants*  
*Certified Public Accountants*

### PRINCIPAL BANKERS

Hang Seng Bank Limited  
Bank of China (Hong Kong) Limited  
Seng Heng Bank Limited

### STOCK CODE

764

### E-MAIL ADDRESS

enquiry@riche.com.hk

### 總辦事處及主要營業地點

香港  
九龍  
尖沙咀  
彌敦道132號  
美麗華大廈  
6樓609-610室

### 百慕達股份過戶登記總處

The Bank of Bermuda Limited  
Bank of Bermuda Building  
6 Front Street  
Hamilton HM 11  
Bermuda

### 香港股份過戶登記分處

標準證券登記有限公司  
證券登記服務處  
香港  
灣仔  
皇后大道東28號  
金鐘匯中心26樓

### 核數師

國衛會計師事務所  
英國特許會計師  
香港執業會計師

### 主要往來銀行

恒生銀行有限公司  
中國銀行(香港)有限公司  
誠興銀行有限公司

### 股份代號

764

### 電郵地址

enquiry@riche.com.hk



# CHAIRMAN'S STATEMENT

## 主席報告

2005 was another difficult year for Hong Kong-made movies in China. In response to the weak market conditions in China, we adopted a cautious approach in acquiring film rights, reduced the number of new films released, restructured our China distribution networks and divested certain investments with less profit potential during the year. These measures have improved the Company's cost structure and positioned it to better compete for success in the years to come.

In April 2005, we intended to expand into gaming business by entering into a conditional agreement with the independent third parties in relation to the acquisition of the entire issued share capital of a company which engages in the provision of rolling and settlement services in the gaming establishment on board Asia Star. However, the due diligence on the company was not satisfactory to us. We decided not to proceed to complete the conditional agreement.

Following Beijing's successful bid for the 2008 Olympic Games and China's accession to the World Trade Organisation, many foreign companies will expand their business and continue sending an increasing amount of senior executives to China. Because of their flexibility in leasing terms, full amenities and high standard management, serviced apartments are always the first choice of foreign executives. In view of the growing demand for high-end serviced apartments, we entered into a conditional agreement with an independent third party in relation to the acquisition of the entire issued share capital of a property investment company in February 2006. The major asset of the property investment company is a property located at the center of Beijing, China. The property is currently under renovation and being transformed from an apartment complex into serviced apartments. The renovation is expected to be completed in October 2006. Subject to the fulfillment of the conditions, the acquisition is expected to be completed in June 2006. We currently intend to hold the property as a long-term investment for rental purposes. We believe that the acquisition would enable the Group to diversify its businesses and provide us with a more stable revenue stream.

Given the downturn of Hong Kong-made movies in China, our ability to acquire quality film rights at competitive prices and operate in a cost effectively manner will be crucial to drive towards profitability. In 2006, we will continue to solidify our fundamentals by refining our operations and seek diversification opportunities to broaden our revenue base.

對中國之港產電影而言，二零零五年又是困難重重之一年。因應中國之疲弱市況，本集團於年內在購入電影發行權方面採取審慎方針、減少新電影發行數目、重整中國之發行網絡，並撤離利潤潛力較低之若干投資。此等措施均有助改善本集團之成本架構，令本公司準備就緒，在來年提高競爭力，謀求更大成就。

於二零零五年四月，本集團擬透過與獨立第三方就收購一間從事向亞洲之星船上娛樂設施之客戶提供轉碼及結算服務之公司之全部已發行股本訂立有條件協議，以涉足娛樂業。然而，本公司並不信納對該公司進行之盡職審查。本公司決定不會完成有條件協議。

隨著北京成功申辦二零零八年奧運及中國加入世界貿易組織，不少海外公司將擴充其業務，並繼續派駐更多高級行政人員往中國。由於其租賃條款富靈活性、設施一應俱全且具有高管理水平，故服務式住宅一直是海外行政人員之首選。鑑於對高尚服務式住宅之需求日益殷切，故於二零零六年二月，本集團與另一名獨立第三方就收購一間物業投資公司之全部已發行股本訂立一份有條件協議。該物業投資公司之主要資產為位於中國北京市中心之物業。該物業現正進行翻新，並將由分層住宅大樓轉換為服務式住宅，預期將於二零零六年十月前完成翻新。待條件獲達成後，收購事項預期將於二零零六年六月完成。本集團現擬持有該物業作為租賃用途之長期投資。本集團相信，收購事項將讓本集團可將其業務多元化及為其提供更穩定之收益來源。

鑑於港產電影在中國之行情出現衰退，本集團以具競爭力之價格購入高質素電影發行權及以具成本效益之方式經營之能力均對提高盈利能力極為關鍵。於二零零六年，本集團將繼續精簡業務，物色分散業務之良機擴大其收益基礎，以加強其基本因素。

# CHAIRMAN'S STATEMENT

## 主席報告

I would like to thank our board of directors, shareholders, customers and industry partners for their continued support and our employees for contributing their energy and skills this past year. I look forward to a productive year in 2006.

**Heung Wah Keung**  
*Chairman*

Hong Kong, 24 April 2006

本人謹此多謝過去一年董事會、股東、客戶及業內夥伴不斷的支持及員工的貢獻及努力。期望二零零六年有所收成。

主席  
向華強

香港，二零零六年四月二十四日

# MANAGEMENT DISCUSSION AND ANALYSIS

## 管理層討論及分析

### FINANCIAL REVIEW

The Group recorded a turnover of HK\$38,339,000 for the year ended 31 December 2005, a 34% decrease from HK\$58,382,000 for the previous year. The decrease was mainly attributed to a decrease in the number of films distributed and sub-licensed. Of the total turnover amount, HK\$9,382,000 or 25% was generated from distribution of films, HK\$10,534,000 or 27% was generated from sub-licensing of film rights and HK\$18,423,000 or 48% was generated from investments in securities. The loss for the year ended 31 December 2005 was HK\$29,664,000, representing an 89% improvement over the corresponding figure of HK\$268,347,000. The improvement in the loss for the year was mainly attributable to the fact that the Group did not record any allowance for advances to an associate in 2005 while the Group recorded such an allowance of HK\$138,531,000 in 2004, and a substantial decrease in impairment losses.

Cost of sales for the year ended 31 December 2005 amounted to HK\$36,466,000, out of which HK\$20,374,000 was related to investments in securities. Cost of sales for film distribution and sub-licensing of film rights decreased from HK\$32,436,000 for the year ended 31 December 2004 to HK\$16,092,000 for the year ended 31 December 2005. The decrease was attributed to a decrease in amortisation of film rights, which was the result of distributing and sub-licensing a less number of films in 2005.

Gross profit margin for film distribution and sub-licensing of film rights dropped from 26% in the year ended 31 December 2004 to 19% in the year ended 31 December 2005. The drop in gross profit margin was attributed to the better margins the Group obtained from the delivery of 108 old films in 2004, the cost of which had already been almost fully amortised.

For the year ended 31 December 2005, the Group recorded a gross loss of HK\$1,951,000 for investments in securities. Taking into account the dividend income of HK\$627,000 recorded in other revenue, the performance of the Group's financial assets at fair value through profit and loss was a loss of HK\$1,324,000 for the year. At 31 December 2005, the fair value of the Group's financial assets at fair value through profit and loss amounted to HK\$30,567,000. The Group will manage its financial assets at fair value through profit and loss in a prudent manner.

### 財務回顧

截至二零零五年十二月三十一日止年度，本集團錄得營業額38,339,000港元，較去年之58,382,000港元減少34%。營業額減少主要與發行及轉授發行權之電影數目減少有關。營業總額中，9,382,000港元或25%來自發行電影，10,543,000港元或27%來自轉授電影發行權，及18,423,000港元或48%來自證券投資。截至二零零五年十二月三十一日止年度之虧損為29,664,000港元，較同期數字268,347,000港元改善89%。改善主要與本集團於二零零五年並無錄得任何墊付聯營公司款項撥備而本集團於二零零四年錄得該撥備138,531,000港元，及減值虧損大幅減少有關。

截至二零零五年十二月三十一日止年度之銷售成本為36,466,000港元，其中20,374,000港元與證券投資有關。發行電影及轉授電影發行權之銷售成本由截至二零零四年十二月三十一日止年度之32,436,000港元減少至截至二零零五年十二月三十一日止年度之16,092,000港元。減少主要與二零零五年發行及轉授發行權之電影數目減少，以致電影發行權之攤銷減少有關。

發行電影及轉授電影發行權之毛利率由截至二零零四年十二月三十一日止年度之26%下跌至截至二零零五年十二月三十一日止年度之19%。毛利率下跌與二零零四年交付108部成本差不多已全數攤銷之舊電影取得較佳毛利率有關。

截至二零零五年十二月三十一日止年度，本集團之證券投資錄得1,951,000港元之虧損總額。經計入其他收益錄得之股息收入627,000港元，本集團按公平值計入損益表之金融資產之本年度表現為虧損1,324,000港元。於二零零五年十二月三十一日，本集團之按公平值計入損益表之金融資產之公平值為30,567,000港元。本集團將審慎管理其按公平值計入損益表之金融資產。

# MANAGEMENT DISCUSSION AND ANALYSIS

## 管理層討論及分析

Other revenue increased from HK\$390,000 in the year ended 31 December 2004 to HK\$2,066,000 in the year ended 31 December 2005. The increase was mainly attributed to an increase in interest income on bank deposits of HK\$1,339,000 resulting from the increase in the Group's bank deposits and the receipt of dividend income of HK\$627,000 from the Group's financial assets at fair value through profit and loss.

Other income represents a gain of HK\$7,110,000 arising from the sale of the Group's leasehold land and buildings to China Star Group in July 2005.

During the year, the Group had exercised prudence measures on cost control policies and decreased its administrative expenses (net of amortisation and depreciation expenses, and impairment losses) to HK\$14,552,000 in the year ended 31 December 2005, a 36% decrease as compared to the correspondence figure of HK\$22,785,000 for the previous year.

To cope with the difficult operating environment, management reviewed the headcount policy and reduced the Group's headcount at 28 at 31 December 2005 to create a more efficient infrastructure. Total staff costs (including directors' remuneration) amounted to HK\$6,956,000 in the year ended 31 December 2005, a 32% decrease from HK\$10,220,000 for the previous year. Employees are remunerated according to their performance and work experience. In addition to basic salaries and retirement scheme, staff benefits include medical scheme and share options. An analysis of headcount and total staff costs of the Group for the years ended 31 December 2005 and 2004 is as follows:

其他收益由截至二零零四年十二月三十一日止年度之390,000港元增加至截至二零零五年十二月三十一日止年度之2,066,000港元。增加主要與本集團之銀行存款增加，以致銀行存款之利息收入增加1,339,000港元，以及本集團自按公平值計入損益表之金融資產收取股息收入627,000港元有關。

其他收入指本集團於二零零五年七月向中國星集團出售其租賃土地及樓宇而產生收益7,110,000港元。

年內，本集團採取審慎之成本控制政策，將行政開支（扣除攤銷及折舊開支及減值虧損）減少至截至二零零五年十二月三十一日止年度之14,552,000港元，較去年之同期數字22,785,000港元減少36%。

為應付艱難之經營環境，管理層檢討其人手政策，縮減本集團於二零零五年十二月三十一日之僱員人數至28以建立更有效率之架構。截至二零零五年十二月三十一日止年度之總員工成本（包括董事酬金）為6,956,000港元，較去年之10,220,000港元減少32%。僱員乃按其表現及工作經驗獲得酬金。除基本薪金及退休計劃外，員工福利亦包括醫療計劃及購股權。截至二零零五年及二零零四年十二月三十一日止年度之本集團人手及總員工成本分析如下：

		Year ended 31 December 截至十二月三十一日止年度	
		2005 二零零五年	2004 二零零四年
Total staff costs (inclusive of severance costs) in HK\$	總員工成本 (包括遣散費，以港元計)		
— Hong Kong and Macau	— 香港及澳門	6,562,000	7,142,000
— The People's Republic of China (the "PRC")	— 中華人民共和國（「中國」）	394,000	3,078,000
		<b>6,956,000</b>	<b>10,220,000</b>
Headcount	僱員人數		
— Hong Kong and Macau	— 香港及澳門	23	26
— the PRC	— 中國	5	15
		<b>28</b>	<b>41</b>



# MANAGEMENT DISCUSSION AND ANALYSIS

## 管理層討論及分析

At 31 December 2005, an impairment loss of HK\$2,474,000 was recognised for long outstanding receivables. The directors were uncertain whether the amount would ultimately be collected and considered that it was prudent to make such an impairment.

For prudence, the Group has reviewed the carrying amounts of its film rights and, in light of the decline in popularity of Hong Kong films and rampant piracy in the PRC, an impairment loss of HK\$8,956,000 was recognised in the year ended 31 December 2005. The Group has also reviewed the carrying amount of goodwill arising from the acquisition of World East Investments Limited, in light of the difficult operating environment of film exhibition business in the PRC, an impairment loss of HK\$4,400,000 was recognised in the year ended 31 December 2005.

In 2002, Gainful Fortune Limited (“Gainful Fortune”), a then associate of the Group, issued the convertible notes in an aggregate amount of HK\$160,000,000 to the Group for the purchase of the hotel and intranet distribution rights in the PRC in respect of an aggregate of up to 300 films and the entire issued share capital of Ocean Shores Licensing Limited (“OSLL”) from the Group. Gainful Fortune faced the illegal broadcasting of the Group’s films by hotel operators in the PRC and its business did not progress as planned. In April 2005, the Group exercised its right to convert the outstanding principal amount of the convertible notes into shares of Gainful Fortune to repossess the 300 films previously sold. Gainful Fortune and OSLL now become subsidiaries of the Company. Since April 2005, the principal activities of Gainful Fortune and OSLL are holding of film rights. In light of the difficult operating environment in hotel media in the PRC, the Group recognised an impairment loss of HK\$7,656,000 for goodwill arising from the acquisition of Gainful Fortune in the year ended 31 December 2005.

In March 2004, the Group acquired 40% of the issued share capital of Rainbow Choice Enterprises Limited (“Rainbow Choice”) by investing HK\$30,000,000. Rainbow Choice engaged in the business of producing and distributing of entertainment news programmes in the PRC. The acquisition facilitated the Group’s expansion into the PRC television advertising business. As the performance of Rainbow Choice was not satisfactory, the Group entered into an agreement with the other shareholder of Rainbow Choice in April 2005. Under the agreement, the Group would own the intellectual property rights of the contents produced by Rainbow Choice and the other shareholder of Rainbow Choice would repay the production and distribution fees of HK\$18,000,000 to the Group. The Group recognised an impairment loss of HK\$12,000,000 for this investment at the end of 2004.

於二零零五年十二月三十一日，已就長期未償還貿易應收款項確認2,474,000港元減值虧損。董事不肯定最終能否收回有關款項，並認為就此作出減值較為審慎。

為審慎起見，本集團已檢討其電影發行權之賬面值，並鑑於香港電影在中國之受歡迎程度下降及盜版活動猖獗，已於截至二零零五年十二月三十一日止年度確認8,956,000港元減值虧損。本集團亦已檢討收購World East Investments Limited所產生商譽之賬面值，並基於中國電影放映業務經營困難，已於截至二零零五年十二月三十一日止年度確認4,400,000港元減值虧損。

於二零零二年，本集團當時之聯營公司Gainful Fortune Limited（「Gainful Fortune」）就向本集團購入合共達300部電影於中國之酒店及內聯網發行權及Ocean Shores Licensing Limited（「OSLL」）全部已發行向本集團發行合共160,000,000港元之可換股票據。Gainful Fortune面對中國酒店營運商非法播放本集團電影之情況，並無按計劃進行業務。於二零零五年四月，本集團行使權利將可換股票據之未贖回本金額兌換為Gainful Fortune股份，以重新擁有早前出售之300部電影。Gainful Fortune及OSLL現成為本公司之附屬公司。自二零零五年四月以來，Gainful Fortune及OSLL之主要業務為持有電影發行權。鑑於中國酒店媒體之經營困境，本集團已於截至二零零五年十二月三十一日止年度就已收購Gainful Fortune所產生商譽確認7,656,000港元減值虧損。

於二零零四年三月，本集團透過投資30,000,000港元，收購Rainbow Choice Enterprises Limited（「Rainbow Choice」）40%已發行股本。Rainbow Choice之業務為於中國製作及發行娛樂新聞節目。該收購促進本集團擴展至中國電視廣告業務之措施。由於Rainbow Choice之業務並不理想，故本集團於二零零五年四月與Rainbow Choice之另一名股東訂立協議，據此，本集團將擁有Rainbow Choice所製作內容之知識產權，而Rainbow Choice之另一名股東則向本集團付還18,000,000港元之製作及發行費用。本集團已於二零零四年底就該項投資確認12,000,000港元之減值虧損。

# MANAGEMENT DISCUSSION AND ANALYSIS

## 管理層討論及分析

During the year ended 31 December 2005, the Group's operations were funded by cash generated from its operations, the issuance of new shares and a one-year term loan granted by China Star Entertainment Limited ("China Star"). At 31 December 2005, the cash and bank balances of the Group amounted to HK\$137,973,000 and its current ratio was 3.43 (2004: 1.70).

During the year ended 31 December 2005, the Company issued 400,000,000 new shares at a price of HK\$0.34 each by way of a vendor placing and top-up subscription raising HK\$131,179,000 (net of expenses).

On 19 April 2005, the convertible notes issued to First-Up Investments Limited ("First-Up"), a wholly-owned subsidiary of China Star, matured. First-Up did not exercise the right to convert the outstanding principal amount of the convertible notes of HK\$33,800,000 into shares of the Company and the Group repaid HK\$33,800,000 to First-Up. On the same date, China Star granted a one-year term loan of HK\$33,800,000 to the Company.

At 31 December 2005, the Group had outstanding borrowings of HK\$33,800,000 representing the one-year term loan of HK\$33,800,000 granted by China Star, which was unsecured, interest bearing at 1% per annum and maturing on 19 April 2006. The gearing ratio calculated as a percentage of total borrowings over total equity was 20% (2004: 50%).

During the year ended 31 December 2005, the Group had not created any charge on its assets.

The Group adopts a set of treasury policies to ensure a well-balance between cash and financial assets at fair value through profit and loss in order to generate an adequate return on the Group's assets.

As the majority of the Group's transactions, assets and liabilities are denominated in Hong Kong dollars and Renminbi, the exchange risk of the Group is considered to be minimal. Accordingly, no financial instruments for hedging purposes have been used by the Group.

At 31 December 2005, the Group had no material contingent liabilities.

於截至二零零五年十二月三十一日止年度內，本集團主要以經營所得現金、發行新股份及China Star Entertainment Limited(中國星集團有限公司，「中國星」)授予之一年期貸款應付其營運所需。於二零零五年十二月三十一日，本集團之現金以及銀行結存為137,973,000港元，而其流動比率為3.43(二零零四年：1.70)。

於截至二零零五年十二月三十一日止年度內，本公司透過賣方配售及補足認購之方式按每股0.34港元之價格發行400,000,000股新股份，籌集131,179,000港元(扣除開支)。

於二零零五年四月十九日，發行予中國星之全資附屬公司First-Up Investments Limited(「First-Up」)之可換股票據到期。First-Up並無行使權利將可換股票據之未贖回本金額33,800,000港元兌換為本公司股份，而本集團付還33,800,000港元予First-Up。同日，中國星向本公司授出一年期貸款33,800,000港元。

於二零零五年十二月三十一日，本集團之未償還借貸為33,800,000港元，即中國星授予之一年期貸款33,800,000港元，該貸款為無抵押、按年息一厘計息，並於二零零六年四月十九日到期。以借貸總額除以股權總額計算之負債比率為20%(二零零四年：50%)。

於截至二零零五年十二月三十一日止年度內，本集團並無抵押其任何資產。

本集團採納一系列財政政策，以確保現金與按公平值計入損益表之金融資產之間維持平衡，為本集團資產產生充分回報。

由於本集團大部份交易、資產及負債均以港元及人民幣為單位，故本集團之外匯風險極低。因此，本集團並無使用任何金融工具作對沖用途。

於二零零五年十二月三十一日，本集團並無重大或然負債。

# MANAGEMENT DISCUSSION AND ANALYSIS

## 管理層討論及分析

### OPERATION REVIEW

For the year ended 31 December 2005, the turnover for distribution of films decreased to HK\$9,382,000, a 66% decrease from HK\$27,285,000 for the previous year. The decrease was due to the decrease in the number of films distributed and the decline in average distribution income per new film. During the year, the Group released five new films in video format as compared to 10 new films in the previous year. The decline in popularity of Hong Kong films and the rampant piracy placed price pressures on the Group's films. During the year, the Group recorded an 18% decrease in the average distribution income per new film compared to the previous year. During the year ended 31 December 2005, the Group did not sell any video rights of its old films in the PRC while the Group sold 32 old films to a PRC distributor in the previous year. As the piracy in the PRC continued to proliferate, the Group decided to cease to sell its video products through Carrefour's 27 stores at the end of 2004. Accordingly, the Group terminated the sub-distribution arrangement with 天津市星匯音像制品銷售有限公司 (Tianjin Xinghui) in the first quarter of 2005.

For the year ended 31 December 2005, the turnover for sub-licensing of films rights amounted to HK\$10,534,000, a 35% decrease compared to HK\$16,319,000 for the previous year. The decrease was attributed to the decrease in the number of films exhibited and sub-licensed. During the year, five new films (2004: seven) were theatrically released in the PRC and 31 film rights (2004: 52) in respect of free TV were sub-licensed to the PRC distributors. In addition, no film rights in respect of hotel and intranet were sub-licensed to Gainful Fortune in 2005, while the Group delivered 24 films to Gainful Fortune in 2004. As the drop in license fees has stabilized since the first half of 2005 and the quality of the Group's films sub-licensed was improved in 2005, the Group recorded an 11% increase in the average film exhibition income per new film and a 59% increase in the average sub-licensing income per film compared to the previous year.

At 31 December 2005, the Group had HK\$1,127,000 worth of signed distribution agreements in its order books.

### 業務回顧

截至二零零五年十二月三十一日止年度，發行電影之營業額由去年之27,285,000港元減少至9,382,000港元，減幅為66%。出現減少之原因為發行電影數目減少及每部新電影之平均發行收入下降。年內，本集團發行五部影視製式之新電影，而去年則有10部新電影。香港電影受歡迎程度下降及盜版猖獗均令本集團電影之價格受壓。年內，本集團每部新電影之平均發行收入比較去年錄得18%減幅。於截至二零零五年十二月三十一日止年度內，本集團並無於中國出售其舊電影之任何影視權，而去年本集團則向中國發行商出售32部舊電影。由於中國盜版情況繼續惡化，故本集團決定於二零零四年底終止透過家樂福之27間店舖銷售其影視產品。因此，本集團已於二零零五年第一季終止與天津市星匯音像制品銷售有限公司（「天津星匯」）之轉授發行權安排。

截至二零零五年十二月三十一日止年度，轉授電影發行權之營業額為10,534,000港元，較去年之16,319,000港元減少35%。減少主要與放映及轉授發行權電影數目減少有關。年內，五部（二零零四年：七部）新電影於中國影院上映，而有關31部（二零零四年：52部）電影之免費電視發行權則轉授予中國發行商。此外，於二零零五年並無向Gainful Fortune轉授有關酒店及內聯網之電影發行權，而本集團於二零零四年則向Gainful Fortune提供24部電影。由於特許費用已自二零零五年第一季起穩定下來及本集團轉授發行權之電影質素於二零零五年有所改善，故本集團錄得每部新電影之平均放映收入較去年增加11%，而每部電影之平均轉授發行權收入則較去年增加59%。

於二零零五年十二月三十一日，本集團之訂單賬冊之已簽訂發行協議值1,127,000港元。

# MANAGEMENT DISCUSSION AND ANALYSIS

## 管理層討論及分析

In view of the strong growth on advertising spending in the PRC, the Group ventured into television advertising business by acquiring 40% interest in Rainbow Choice in March 2004. Rainbow Choice distributed its entertainment news programmes on a barter basis, through which television stations offered advertising spots to Rainbow Choice in exchange for the programmes. Due to a flood of similar programmes in the market, Rainbow Choice failed to build up a strong television networks and obtain advertising spots at prime time within the first six months of its operations. As a result, the management team of Rainbow Choice decided to cease its business in the first quarter of 2005.

On 5 February 2002, the Group entered into a territory supply agreement with China Star International Distribution Limited ("CSIDL"), a wholly-owned subsidiary of China Star, whereby CSIDL granted in favour of the Group a first right of refusal to acquire the exclusive distribution rights (excluding the theatrical and internet rights) in the PRC (except Hong Kong, Macau and Taiwan) and Mongolia in respect of China Star Group's films for a period of three years from 8 April 2002 and an option to acquire the theatrical rights of such films. In view of the decline in popularity of Hong Kong films, the Group decided not to renew the territory supply agreement with CSIDL upon its expiry in April 2005. The Group believes that the non-renewal of the territory supply agreement provides it with a greater flexibility in acquiring film rights for distribution.

### EXPAND INTO NEW BUSINESS

On 17 February 2006, the Group entered into a conditional sale and purchase agreement with Northbay Investments Holdings Limited ("Northbay"), pursuant to which the Group would acquire (i) 100% of the issued share capital of Shinhan-Golden Faith International Development Limited ("Shinhan-Golden") and (ii) the debts owed by Shinhan-Golden to Northbay, at an aggregate consideration of HK\$266,064,350 (the "Acquisition"). The consideration shall be satisfied by the allotment and issue of 1,330,321,745 shares at HK\$0.20 per share. Shinhan-Golden is an investment holding vehicle and its major asset is the 96.7% equity interest in Beijing Jiang Guo Real Estate Development Co. Ltd. (the "JV Co."). JV Co. is the registered and beneficial owner of a property (the "Property") located at Inner Jiangguo Gate of Dongcheng District, Beijing, the PRC (currently known as No. 9, Gongyuan Xijie, Dongcheng District, Beijing, the PRC). The Property is currently under renovation and being transformed from an apartment complex into serviced apartments. The renovation project is expected to be completed in October 2006. Subject to the fulfillment of the conditions set out under the agreement, the Acquisition is expected to be completed in June 2006.

鑑於中國之廣告消費出現強勁增長，本集團於二零零四年三月透過收購 Rainbow Choice 之 40% 權益涉足電視廣告業務。Rainbow Choice 按以物易物之方式發行其娛樂新聞節目，透過電視台向 Rainbow Choice 提供廣告點以換取節目。由於市場上類似節目氾濫，Rainbow Choice 未能於其經營之首六個月內建立強大之電視網絡並取得黃金時段之廣告點。因此，Rainbow Choice 之管理隊伍決定於二零零五年第一季暫停業務。

於二零零二年二月五日，本集團與中國星之全資附屬公司 China Star International Distribution Limited (「CSIDL」) 訂立地區協議，據此，CSIDL 授予本集團優先權，以於二零零二年四月八日起計三年期間內取得中國星集團之電影於中國（香港、澳門及台灣除外）及蒙古之獨家發行權（不包括影院及互聯網放映權）及選擇購買放映權。鑑於香港電影受歡迎程度下降，本集團決定於與 CSIDL 訂立之地區協議於二零零五年四月屆滿後不再續訂該協議。本集團相信不續訂地區協議將在取得電影發行權方面為其提供更大彈性。

### 開拓新業務

於二零零六年二月十七日，本集團與 Northbay Investments Holdings Limited (「Northbay」) 訂立有條件買賣協議，據此，本集團將按總代價 266,064,350 港元收購 (i) Shinhan-Golden Faith International Development Limited (「Shinhan-Golden」) 之全部已發行股本；及 (ii) Shinhan-Golden 結欠 Northbay 之債務（「收購事項」）。代價將以按每股 0.20 港元配發及發行 1,330,321,745 股股份支付。Shinhan-Golden 為投資控股有限公司，其主要資產為北京建國房地產開發有限公司（「合資公司」）之 96.7% 股本權益。合資公司為位於中國北京市東城區建國門內（現稱為中國北京市東城區貢院西街 9 號）之物業（「該物業」）之註冊及實益擁有人。該物業現正進行翻新，並將由分層住宅大樓轉換為服務式住宅，預期將於二零零六年十月完成翻新項目。待協議所載之條件獲達成後，收購事項預期將於二零零六年六月完成。



# MANAGEMENT DISCUSSION AND ANALYSIS

## 管理層討論及分析

On 31 March 2006, the Company announced that it would not complete the conditional agreement with Leadfirst Limited ("Leadfirst") and Mr. Benny Ki, pursuant to which the Group would acquire 100% of the issued share capital of Best Winning Group Limited ("Best Winning") for a consideration of HK\$600,000,000. During the due diligence exercise conducted by the Company, the Company had raised concern over the appointment of Leadfirst as the sole and exclusive service provider for the promotion and introduction of customers to Asia Star and the provision of rolling and settlement services for customers of the gaming establishment on board Asia Star may be terminated in the event of a change the ownership of Asia Star, thereby affecting the sub-marketing between Leadfirst and Best Winning. As the directors are unable to satisfy themselves as to the business and legal structure pertaining the contractual arrangements among the vessel owner of Asia Star, casino operator, Leadfirst and Best Winning by the longstop date. It was in the best interest of the Company and its shareholders that the Company does not proceed to complete the conditional agreement.

### FUTURE PROSPECTS

Sale negotiations with the PRC distributors show the drop in license fees for Hong Kong films has been stabilized. The directors anticipate that it takes some time for the market to recover as piracy remains rampant. As piracy and copyright infringements affect the film industries in both Hong Kong and the PRC, the PRC distributors are working together with the film industry practitioners to give pressure on the PRC Central Government to combat piracy and copyright infringements. Recent meetings with the PRC distributors reveal that the PRC Central Government plans to step up the enforcement of intellectual property laws in 2006. In addition, a PRC video distributor has conducted an extensive research on Internet users in the PRC. The research shows that the youth of the PRC have spent quite a lot of time on Internet for entertainment and distributing movies through Internet may be an effective mean to capture this segment. In response to the research findings, the PRC distributor is planning to set up an Internet movies station.

Despite the above encouraging messages, the Group will continue to cautiously monitor the business environment and strengthen its business foundations by implementing prudent cost control and adopting a more cautious approach in acquiring film rights.

於二零零六年三月三十一日，本公司公佈其不會完成與Leadfirst Limited（「Leadfirst」）及紀明寶先生訂立之有條件協議，據此，本集團將按代價600,000,000港元收購Best Winning Group Limited（「Best Winning」）之全部已發行股本。根據本公司進行之盡職審查，本公司就亞洲之星之所有權出現變動，從而影響Leadfirst與Best Winning之市場推廣分包中委任Leadfirst作為唯一及獨家服務提供者，負責為亞洲之星進行推廣及招攬客戶以及向亞洲之星船上娛樂設施之客戶提供轉碼及結算服務可能被終止表示關注。於亞洲之星郵輪之所有者、娛樂場營辦商、Leadfirst及Best Winning之合約安排上之最後日期，董事不能就其商業及法律架構表示信納。基於本公司及其股東之最佳利益，本公司不會完成有條件協議。

### 未來前景

與中國分銷商進行之銷售磋商，顯示香港電影之特許費用已穩定下來。由於盜版仍然猖獗，故董事預計市場復甦需要一段時間。由於盜版及侵權影響香港及中國兩地之電影業，中國分銷商與電影從業員攜手向中國中央政府施壓，以打擊盜版及侵權。本公司近期接洽中國發行商，發現中國中央政府計劃於二零零六年加強執行知識產權法。此外，中國影視發行商已向中國互聯網用戶進行廣泛研究。研究顯示中國年青人瀏覽互聯網之時間頗多，而透過互聯網發行電影可能是涉獵此分部之有效途徑。因應研究結果，中國發行商計劃建立互聯網電影站。

儘管上述消息令人鼓舞，惟本集團將繼續密切注視業務環境，並透過嚴格控制成本及在購入電影發行權方面採取更審慎方針，不斷加強業務基礎。



# MANAGEMENT DISCUSSION AND ANALYSIS

## 管理層討論及分析

Upon the completion of the Acquisition, whilst the Group will continue to carry out its existing business, the Group will also carry out the property investment business. In view of the growing demand for high-end serviced apartments resulting from Beijing's successful bid for the 2008 Olympic Games and the PRC's accession to the World Trade Organisation, the Group currently intends to hold the Property as a long-term investment for rental purposes. The directors believe that the Acquisition will enable the Group to diversify its businesses and provide it with a stable revenue stream, which would have a positive impact on the Group's profitability.

於收購事項完成後，儘管本集團將繼續從事其現有業務，惟本集團亦會從事物業投資業務。鑑於對高尚服務式住宅之需求因北京成功申辦二零零八年奧運及中國加入世界貿易組織而日益殷切，本集團現擬持有該物業作為租賃用途之長期投資。董事相信，收購事項將讓本集團可將其業務多元化及為其提供穩定收益來源，對本集團之盈利能力帶來正面影響。

# CORPORATE GOVERNANCE REPORT

## 企業管治報告

### CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the “Board”) is responsible for ensuring proper standards of corporate governance are maintained and for accounting to shareholders. The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the year ended 31 December 2005, except for the following deviations:

#### 1. Code Provision A.2.1

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual and the division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. The Company does not maintain the office of chief executive officer, however, the day-to-day management of the Group is responsible by the Vice Chairman. The division of responsibilities between the Chairman and the Vice Chairman has been clearly established and was set out in writing.

#### 2. Code Provision A.4.1

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. However, all the non-executive directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Company's bye-laws. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

#### 3. Code Provisions B.1.4 and C.3.4

Under the code provisions B.1.4 and C.3.4 of the Code, the issuer should make available the terms of reference of its remuneration committee and audit committee on request and by including the information on the issuer's website. Since the Company has not yet established its own website, the above requirement regard to provide such information on website cannot be met accordingly. However, the terms of reference of the two committees are available on request.

### 企業管治常規

本公司董事會(「董事會」)負責確保維持適當企業管治標準及向股東問責。本公司於截至二零零五年十二月三十一日止年度內已應用原則及遵守載於香港聯合交易所有限公司證券上市規則(「上市規則」)附錄十四之企業管治常規守則(「守則」)所載之一切適用守則條文，惟以下偏離除外：

#### 1. 守則條文A.2.1

根據守則條文A.2.1，主席及行政總裁之角色應有區分，不應由一人同時兼任，而主席及行政總裁之間職責之分工應清楚界定並以書面列載。本公司並無設有行政總裁之職位，惟本集團之日常管理由副主席負責。主席及副主席之間職責之分工已清楚界定並以書面列載。

#### 2. 守則條文A.4.1

根據守則條文A.4.1，非執行董事之委任應有指定任期，並須接受重新選舉。然而，全體非執行董事之委任並無指定任期，惟彼等須根據本公司之公司細則規定於本公司之股東週年大會上輪值告退。本公司認為已採取足夠措施確保本公司之企業管治常規不比守則寬鬆。

#### 3. 守則條文B.1.4及C.3.4

根據守則條文B.1.4及C.3.4，發行人應在有人要求時提供其薪酬委員會及審核委員會之職權範圍以及將資料登載於發行人之網站上。由於本公司仍未設立其本身網站，故未能符合上述關於將有關資料登載於網站上之規定。然而，兩個委員會之職權範圍可在有人要求時提供。

# CORPORATE GOVERNANCE REPORT

## 企業管治報告

### CORPORATE GOVERNANCE PRACTICES (Continued)

The Board will periodically review and improve the corporate governance practices and standards of the Company with a view to continuously improve the Company's corporate governance practices by assessing their effectiveness with evolving standards to meet changing circumstances and needs.

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by the directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2005. The Model Code also applies to other specified senior management of the Group.

### BOARD OF DIRECTORS

The Board represents shareholders of the Company in managing the Company's affairs. Members of the Board are expected to maximise the investment return and the Company's long-term value.

The Board comprises two executive directors and three independent non-executive directors. There is no relationship between members of the Board except that Mr. Heung Wah Keung, the Chairman, is the husband of Ms. Chen Ming Yin, Tiffany, the Vice Chairman of the Company. The biographical details of the directors are set out in the "Profiles of Directors and Senior Management" on pages 30 to 31. In addition, one of the independent non-executive directors possesses appropriate professional accounting qualifications and financial management expertise.

The Board includes a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is an independent element on the Board, which can effectively exercise independent judgment, and that non-executive directors should be of sufficient caliber and number for their views to carry weight.

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. The independent non-executive directors are explicitly identified in all corporate communications.

### 企業管治常規 (續)

董事會為了不斷改善本公司之企業管治常規，將透過不斷發展以應付千變萬化之環境及需要之標準評估企業管治常規之成效，以定期檢討及改善本公司之企業管治常規及標準。

### 董事證券交易

本公司已就本公司董事進行證券交易採納上市規則附錄十所載之上市公司董事進行證券交易的標準守則（「標準守則」）。經本公司作出特定查詢後，全體董事會成員確認，彼等於截至二零零五年十二月三十一日止年度內一直遵守標準守則所載之所訂標準。標準守則亦適用於本集團其他特定高級管理人員。

### 董事會

董事會代表本公司股東管理本公司事務。預期董事會成員將投資回報及本公司之長遠價值提升至最高。

董事會由兩名執行董事及三名非執行董事組成。除主席向華強先生為本公司副主席陳明英女士之丈夫外，各董事間概無任何關繫。董事之履歷詳情載於第30至第31頁之「董事及高級管理人員履歷」。此外，其中一名獨立非執行董事具備適當之專業會計資格及財務管理專業知識。

董事會中執行董事及非執行董事（包括獨立非執行董事）之組合應保持均衡，以使董事會具備獨立元素，可有效地作出獨立判斷，而非執行董事應具備足夠才幹及人數，以使其意見具有影響力。

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。本公司所有公司通訊中，均已明確識別獨立非執行董事之身分。

# CORPORATE GOVERNANCE REPORT

## 企業管治報告

### BOARD OF DIRECTORS (Continued)

While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, certain responsibilities are delegated to various standing committees of the Board, including Audit Committee, Finance Committee, Nomination Committee and Remuneration Committee, the Vice Chairman and the senior management of the Company.

The types of decisions which are reserved to be taken by the Board include:

1. matters relating to conflict of interest for a substantial shareholder or a director of the Company;
2. formulation of the Company's policies relating to the overall strategic direction and strategic plans, key business and financial objectives, dividend policy or entering into contracts involving significant capital acquisition or expenditure;
3. financial controls, compliance and risk management for the approval of annual operating and capital expenditure budgets, the Company's financial statements, published reports, price-sensitive announcements and other disclosure required under the Listing Rules or other statutory requirements;
4. changes to the Company's capital structure, including reductions of share capital, share buy-backs or issue of new securities;
5. major appointments or removal to the Board, the Vice Chairman, the Company's chief financial officer, company secretary and external auditors;
6. changes to the terms of reference or membership of any committee of the Board and the authority delegated to the Vice Chairman and the senior management; and
7. matters exceed the authorities of the Vice Chairman and the senior management.

### 董事會 (續)

董事會在任何時間內均須為指導及監察本公司履行其職責負上全部責任，而若干責任則授權予多個董事會常務委員會（包括審核委員會、財務委員會、提名委員會及薪酬委員會）、副主席及本公司高級管理人員。

保留予董事會作出決策之類別包括：

1. 有關本公司主要股東或董事之利益衝突事宜；
2. 制定本公司有關整體策略性方向及策略性計劃、主要業務及財務目標、股息政策或訂立涉及重大資本收購或開支之合約等政策；
3. 批准年度運作及資本開支預算、本公司之財務報表、已刊發報告、價格敏感公佈及其他根據上市規則或其他法律規定之披露時之財務監控、遵例及風險管理；
4. 更改本公司之資本架構，包括削減股本、股份購回或發行新證券；
5. 董事會、副主席、本公司主要財務總監、公司秘書及外聘核數師之主要委任或罷免；
6. 董事會任何委員會之職權範圍或成員變動，以及授予副主席及高級管理人員權力之變動；及
7. 超出副主席及高級管理人員權力範圍之事宜。

# CORPORATE GOVERNANCE REPORT

## 企業管治報告

### BOARD OF DIRECTORS (Continued)

During the year, six full board meetings (of which four were regular quarterly meetings) were held and the individual attendance of each director is set out below:

Name of director	董事姓名	Number of board meetings attended 出席董事會會議之次數	Attendance rate 出席率
Heung Wah Keung	向華強	6/6	100%
Chen Ming Yin, Tiffany	陳明英	6/6	100%
Tang Chak Lam, Gilbert	鄧澤林	5/6	83%
Ho Wai Chi, Paul	何偉志	6/6	100%
Lien Wai Hung	連偉雄	6/6	100%

The directors of the Company are responsible for the preparation of financial statements of the Group which give a true and fair view, are prepared in accordance with the relevant statutory requirements and applicable accounting standards in force, and are published in a timely manner. The directors of the Company are also responsible for selecting and applying on a consistent basis suitable accounting policies and ensuring timely adoption of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards.

The directors of the Company acknowledge their responsibility for preparing the financial statements of the Company and report that the Company has announced its annual and interim results in a timely manner after the end of the relevant period, as laid down in the Listing Rules.

A statement by the auditors of the Company about their reporting responsibilities is set out in the Report of the Auditors on pages 32 to 33.

### CHAIRMAN AND VICE CHAIRMAN

The roles of Chairman and Vice Chairman are separate and not performed by the same individual to ensure that there is a clear division of responsibilities at the board level to entail a balance of power and authority.

### 董事會 (續)

年內已舉行六次全體董事會會議(其中四次為定期季度會議)，而各董事之個別出席紀錄載列如下：

本公司董事負責根據現行之相關法律規定及適用會計準則編製並盡快刊發本集團真實兼公平之財務報表。本公司董事負責採用適當之會計政策，並且貫徹應用該等會計政策，亦負責確保適時採納香港會計準則及香港財務報告準則。

本公司董事確認彼等編製本公司財務報表及報告之責任，而本公司已根據上市規則之規定，於相關期間後盡快公佈其年度及中期業績。

本公司核數師就其申報責任所發出之聲明載於第32至33頁之「核數師報告書」。

### 主席與副主席

主席與副主席之角色已有區分，且並非由一人同時兼任，以確保董事會之責任有清晰分工，從而建立均衡之權力與授權。



# CORPORATE GOVERNANCE REPORT

## 企業管治報告

### CHAIRMAN AND VICE CHAIRMAN (Continued)

The Chairman is responsible for leadership of the Board, for ensuring that the Board functions effectively, and for ensuring communication of the views of the Board to the public. In performing this role, the Chairman's responsibilities include chairing meetings of the Board; ensuring the Board meetings receive accurate, complete, timely and clear information concerning affairs of the Company; ensuring constructive relations between executive and non-executive directors; formulating for discussion and decision, questions which have been moved for the consideration of the Board; ensuring that all directors are properly briefed on issues arising at Board meetings; acting as liaison between the Board and management; in consultation with the Vice Chairman and the company secretary or his/her designated delegates, drawing up and approving the agenda for each Board meeting taking into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda and at least annually hold meetings with non-executive directors (including independent non-executive director) without the presence of the executive directors.

The Vice Chairman is primarily responsible for recommending policy and strategic directions for Board approval; implementing the strategies and policies adopted by the Board; and conducting the day-to-day operation of the Group.

### TERMS OF NON-EXECUTIVE DIRECTORS

Code provision A.4.1 of the Code requires that non-executive directors should be appointed for a specific term and should be subject to re-election. The non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at least once every three years in accordance with the provision of the Company's bye-laws. Amendment to the bye-laws of the Company was approved by the shareholders at the annual general meeting of the Company held on 29 June 2005 whereby every director shall be subject to retirement by rotation at least once every three years. As such, the Company considers that sufficient measures have been taken to serve the purpose of this code provision. Each of the non-executive directors has remunerated at HK\$120,000 per year.

### 主席與副主席 (續)

主席負責領導董事會，以確保董事會有效地運作，並確保公眾得以獲悉董事會之意見。於履行此角色時，主席之責任包括主持董事會會議；確保董事會會議已迅速接獲有關本公司事務之準確、完備及清晰之資料；確保執行及非執行董事間得以維持建設性關係；就提交董事會考慮之事宜進行討論、決策與提問；確保妥善地向全體董事簡述於董事會會議所提出之事項；作為董事會與管理層間之聯繫；徵詢副主席及公司秘書或其指派之受委人之意見，並經考慮其他董事所提出以納入會議議程之任何事宜後，擬備及批准各董事會會議之會議議程；及最少每年與非執行董事（包括獨立非執行董事）舉行一次執行董事不得出席之會議。

副主席主要負責就政策及策略性方向提出建議，以供董事會批准；及實行董事會所採納之策略及政策，並負責本集團之日常業務。

### 非執行董事之任期

守則條文A.4.1規定，非執行董事之委任應有指定任期，並須接受重新選舉。本公司非執行董事之委任並無指定任期，惟彼等須根據本公司細則之條文最少每三年輪值告退一次。本公司細則之修訂已在本公司於二零零五年六月二十九日舉行之股東週年大會上獲股東批准，據此，每名董事須最少每三年輪值告退一次。因此，本公司認為已採取足夠措施以遵守該守則條文之宗旨。各非執行董事之每年酬金為120,000港元。

# CORPORATE GOVERNANCE REPORT

## 企業管治報告

### REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with written terms of reference in accordance with the code provision B.1.1 on 31 August 2005. The Remuneration Committee comprises two independent non-executive directors, namely Mr. Tang Chak Lam, Gilbert and Mr. Lien Wai Hung, and an executive director, namely Ms. Chen Ming Yin, Tiffany. Ms. Chen Ming Yin, Tiffany is the chairman of the Remuneration Committee. The Remuneration Committee is principally responsible for formulating and making recommendation to the Board on the Group's policy and structuring for all remuneration of the directors of the Company and the senior management of the Group. The terms of reference of the Remuneration Committee shall make available to the public on request.

The Remuneration Committee shall meet at least once a year or as requested by the director responsible for human resources function.

In determining the emolument payable to directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and the desirability of performance-based remuneration.

During the year, the Remuneration Committee met once to review the remuneration packages of the staff of the Group. All the committee members attended the meeting.

### NOMINATION COMMITTEE

The Nomination Committee comprises one executive director, namely Mr. Heung Wah Keung and two independent non-executive directors, namely Mr. Tang Chak Lam, Gilbert and Mr. Lien Wai Hung. Mr. Heung Wah Keung is the chairman of the Nomination Committee. The terms of reference of the Nomination Committee shall make available to the public on request.

The main function of the Nomination Committee is, having regard to the independence and quality of nominees, to make recommendations to the Board as to ensure that all nominations are fair and transparent.

### 薪酬委員會

本公司已於二零零五年八月三十一日根據守則條文B.1.1設立具有成文職權範圍之薪酬委員會。薪酬委員會由兩名獨立非執行董事鄧澤林先生及連偉雄先生以及一名執行董事陳明英女士組成。陳明英女士為薪酬委員會主席。薪酬委員會主要負責制訂本集團對本公司董事及本集團高級管理人員之所有薪酬政策及架構，並就此向董事會提出建議。薪酬委員會之職權範圍須在有人要求時向公眾提供。

薪酬委員會須最少每年舉行一次會議或應負責人力資源工作之董事要求時舉行會議。

於釐訂應付董事酬金時，薪酬委員會已考慮可資比較公司所付薪金、董事所付出之時間及責任、本集團其他部門之僱用條件及按表現釐訂薪酬之意願等因素。

年內，薪酬委員會已舉行一次會議，以檢討本集團員工之薪酬政策。全體委員會成員均已出席會議。

### 提名委員會

提名委員會由一名執行董事向華強先生及兩名獨立非執行董事鄧澤林先生及連偉雄先生組成。向華強先生為提名委員會主席。提名委員會之職權範圍須在有人要求時向公眾提供。

提名委員會之主要職能為經考慮提名人之獨立性及質素後，向董事會提出建議，以確保所有提名均在公平及具透明度之情況下作出。

# CORPORATE GOVERNANCE REPORT

## 企業管治報告

### NOMINATION COMMITTEE (Continued)

The chair, in consultation with the person responsible for human resources and the secretary of the Nomination Committee, should be primarily responsible for drawing up and approving the agenda for each Nomination Committee meeting. The chair, with the assistance of the secretary, shall ensure that all members shall receive sufficient information in a timely manner to enable effective discussion at the Nomination Committee meeting. The chair shall, with the assistance of the person responsible for human resources, brief all members on issues arising at each Nomination Committee meeting. The secretary shall circulate the draft and final versions of the minutes of meetings and reports of the Nomination Committee to all members for comments and records within a reasonable time after each meeting, subject to any legal or regulatory restrictions restricting such circulation or the making of such reports. The chair shall report in the forthcoming regular board meeting any key decisions made and shall table before the Board an index of meetings and issues discussed. The secretary of the Nomination Committee shall record minutes of all duly constituted meetings of the Nomination Committee. In the selection process, the Nomination Committee shall make reference to criteria including experience in the industry, professional and education background and commitment in respect of available time.

The re-election procedure set in the Company's bye-laws provides that one-third of the directors for the time being shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years at each annual general meeting. A retiring director shall be eligible for re-election.

During the year, the Board did not have any meeting to nominate any new director for appointment.

### AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely Mr. Tang Chak Lam, Gilbert, Mr. Ho Wai Chi, Paul and Mr. Lien Wai Hung. Mr. Tang Chak Lam, Gilbert is the chairman of the Audit Committee. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules. The terms of reference of the Audit Committee shall make available to the public on request.

### 提名委員會 (續)

主席主要負責在徵詢負責人力資源之人士及提名委員會之秘書後，擬備及批准各提名委員會會議之會議議程。在秘書協助下，主席應確保全體成員均已適時獲得足夠資料，令彼等得以在提名委員會會議上進行有效討論。在負責人力資源之人士協助下，主席應向全體成員簡述各提名委員會上提出之事項。在任何限制下述傳閱或報告之法律或法規限制所規限下，有關傳閱秘書應在各會議後合理時間內，將會議紀錄及提名委員會報告之初稿及定稿在全體成員間傳閱，以供彼等提供意見或作紀錄。主席應於下次董事會會議上匯報所作出之任何重要決定，並向董事會提交會議及所討論項事之索引。提名委員會秘書應紀錄所有正式召開會議之會議紀錄。在篩選過程中，提名委員會應參考於業內之經驗、專業知識、教育程度及可付出之時間等準則。

本公司之公司細則所載之重選程序規定，當時三分之一之董事須於各股東週年大會上輪值告退，惟每名董事須最少每三年告退一次。退任董事應符合資格膺選連任。

年內，董事會並無舉行任何會議，以提名委任任何新董事。

### 審核委員會

審核委員會由三名獨立非執行董事鄧澤林先生、何偉志先生及連偉雄先生組成。鄧澤林先生為審核委員會主席。審核委員會之組成及成員符合上市規則第3.21條之規定。審核委員會之職權範圍須在有人要求時向公眾提供。

# CORPORATE GOVERNANCE REPORT

## 企業管治報告

### AUDIT COMMITTEE (Continued)

The main function of the Audit Committee is to assist the Board to oversee the financial reporting system, risk management and internal control procedures and the internal and external audit functions. The Audit Committee annually assesses the appointment of the external auditors, taking into account the quality and rigor of the audit, the quality of the audit service provided, the auditing firm's quality control procedures, relationships between the external auditors and the Company, and the independence of the external auditors.

During the year, five Audit Committee meetings were held and the individual attendance of each member is set out below:

Name of member	成員姓名
Tang Chak Lam, Gilbert	鄧澤林
Ho Wai Chi, Paul	何偉志
Lien Wai Hung	連偉雄

The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with management the internal controls and financial reporting matters, and change of auditors. During the year, the Audit Committee has selected and recommended to the Board for new appointment of external auditors of the Company. The Board agreed with the recommendation of the Audit Committee and passed the resolution to appoint Messrs. HLB Hodgson Impey Cheng as new auditors of the Company. To monitor the integrity of the financial statements of the Company, the Auditor Committee has reviewed both the 2005 interim report, 2005 annual report and the audited financial statements for the year ended 31 December 2005 before their submission to the Board.

### AUDITORS' REMUNERATION

During the year, the Company engaged Messrs. HLB Hodgson Impey Cheng to perform audit and audit related services, and non-audit services and incurred audit and audit related service fees of approximately HK\$572,000 and non-audit service fees of approximately HK\$108,000. The audit and audit related service fees included approximately HK\$500,000 for auditing the Company's 2005 financial statements and approximately HK\$72,000 for reviewing the Company's 2005 interim financial statements.

### 審核委員會 (續)

審核委員會之主要職責為協助董事會監督財務報告制度、風險管理及內部監控程序及內部及外部審核職能。審核委員會每年評估外聘核數師之委聘、核數師行之品質控制程序、外聘核數師與本公司之間之關係及外聘核數師之獨立性。

年內已舉行五次審核委員會會議，而各成員之個別出席紀錄載列如下：

Number of meetings attended	Attendance rate
出席會議之次數	出席率
5/5	100%
5/5	100%
5/5	100%

審核委員會已審閱本公司所採納之會計原則及政策，並與管理層討論內部監控及財務報告事宜及更換核數師。年內，審核委員會已挑選並向董事會建議委任本公司之新外聘核數師。董事會同意審核委員會之建議並通過決議案委聘國衛會計師事務所為本公司之新核數師。為監察本公司財務報表之完整性，審核委員會已於向董事會呈交二零零五年中期報告、二零零五年年報及截至二零零五年十二月三十一日止年度之經審核財務報表前，將該等報告及報表審閱。

### 核數師酬金

年內，本公司委聘國衛會計師事務所進行核數及核數相關服務，以及非核數服務，並產生核數及核數相關服務費約572,000港元及非核數服務費約108,000港元。核數及核數相關服務費包括審核本公司二零零五年財務報表約500,000港元及審閱本公司二零零五年中期財務報表約72,000港元。

# CORPORATE GOVERNANCE REPORT

## 企業管治報告

### INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal controls system to safeguard the interest of shareholders and the Group's assets. The Board has delegated to management the implementation of the system of internal controls and reviewing of all relevant financial, operational, compliance controls and risk management function within an established framework.

The Company is in the course of selecting an independent consultant to conduct review the internal controls system of the Group on a regular basis. It is expected that the independent consultant will be appointed in May 2006.

### COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

To enhance transparency, the Company endeavours to maintain an on-going dialogue with shareholders and investors through a variety of communication channels.

The annual general meeting is used as an opportunity to communicate with all shareholders. The Company is also committed to providing clear and full performance information in its annual report, interim report and press releases.

### 內部監控

董事會在整體上對本公司內部監控制度及檢討其有效性負責。董事會致力實行有效及健全之內部監控制度，以保障股東及本集團資產之利益。董事會已授權管理人員實施內部監控制度及檢討所有已確立架構內之相關財務、營運、遵例監控及風險管理職能。

本公司現挑選獨立顧問，以定期檢討本集團之內部監控制度。預期將於二零零六年五月委任獨立顧問。

### 與股東之溝通及投資者關係

為提升透明度，本集團盡力透過多個溝通渠道維持與股東及投資之持續溝通。

股東週年大會乃用作與全體股東溝通之良機。本公司亦致年報、中期報告及新聞稿中提供清晰詳盡之業績資料。



# 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。

# REPORT OF THE DIRECTORS

## 董事會報告書

### 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。

# REPORT OF THE DIRECTORS

## 董事會報告書

### 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。

# REPORT OF THE DIRECTORS

## 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		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
			Interest in shares 股份權益	Interest in underlying shares 相關股份權益		
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



# REPORT OF THE DIRECTORS

## 董事會報告書

### 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
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—	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。

# REPORT OF THE DIRECTORS

## 董事會報告書

### 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

# PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

## 董事及高級管理人員履歷

### EXECUTIVE DIRECTORS

**Mr. Heung Wah Keung**, aged 57, is the Chairman of the Company. He is responsible for the development of the overall strategic planning of the Group and liaising with various government authorities in the PRC. His wife, Ms. Chen Ming Yin, Tiffany, is the Vice Chairman of the Company. He joined the Company in August 2001. Mr. Heung has over 20 years of experience in the entertainment and multi-media industries. He is the founder of Win's Entertainment Limited and One Hundred Years of Film Company Limited. Mr. Heung is also the chairman of China Star Entertainment Limited, the controlling shareholder of the Company, and the vice chairman of the Hong Kong Kowloon and New Territories Motion Picture Industry Association Limited.

**Ms. Chen Ming Yin, Tiffany**, aged 49, is the Vice Chairman of the Company. She is responsible for the overall management and business development of the Group. Ms. Chen is the wife of Mr. Heung Wah Keung. She joined the Company in August 2001. She has over 15 years of experience in the entertainment and multi-media industries. She has produced a number of blockbuster films for Win's Entertainment Limited and One Hundred Years of Film Company Limited. Ms. Chen is the vice chairman of China Star Entertainment Limited. In 2003, she was selected as one of 2003 Women in Entertainment — International Power by The Hollywood Reporter.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Tang Chak Lam, Gilbert**, aged 55, is a practicing Solicitor in Hong Kong since 1987 and is a senior partner of Messrs. Gilbert Tang & Co.. He joined the Company in February 2002. He was a director of Pok Oi Hospital in 1993 and a Member of the Kowloon West Advisory Committee of Hong Kong Bank Foundation District Community Programme between July 1991 and November 1995. Mr. Tang holds a Bachelor of Law Degree from the University of Buckingham in the United Kingdom, and a Diploma in Chinese Law from the University of East Asia in Macau.

**Mr. Ho Wai Chi, Paul**, aged 55, is the sole proprietor of Paul W.C. Ho & Company, Certified Public Accountants (Practising), and is an associate of the Institute of Chartered Accountants in England and Wales, United Kingdom and a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Ho joined the Company in September 2004.

**Mr. Lien Wai Hung**, aged 43, is a practicing solicitor in Hong Kong since 1997 and is a partner of Messrs. Leung & Lien, a firm of solicitors in Hong Kong. He graduated from the University of East London with a LLB Degree in the United Kingdom. Mr. Lien was appointed as a non-executive director on 12 April 2005.

### 執行董事

**向華強先生**，現年57歲，為本公司之主席，負責本集團整體策略計劃發展及與中國各政府機關進行溝通聯繫。其妻陳明英女士為本公司之副主席。向先生於二零零一年八月加入本公司，擁有超過20年娛樂及多媒體事業之經驗。向先生為永盛娛樂有限公司及一百年電影有限公司之創辦人，並身兼本公司之控股股東中國星集團有限公司之主席及香港影業協會有限公司之副會長。

**陳明英女士**，現年49歲，為本公司之副主席，負責本集團之整體管理及業務發展。陳女士為向華強先生之妻子，於二零零一年八月加入本公司，擁有超過15年娛樂及多媒體事業之經驗。彼並曾為永盛娛樂有限公司及一百年電影有限公司監製多部電影。陳女士為中國星集團有限公司之副主席，並於二零零三年獲The Hollywood Reporter雜誌選為二零零三年於娛樂界最具國際影響力之女性之一。

### 獨立非執行董事

**鄧澤林先生**，現年55歲，自一九八七年起為香港執業律師，並為鄧澤林廖國華律師行之高級合夥人。鄧先生於二零零二年二月加入本公司，曾於一九九三年出任博愛醫院總理，並於一九九一年七月至一九九五年十一月期間出任滙豐銀行九龍西區慈善基金社區發展計劃委員。鄧先生持有英國白金漢大學之法律學士學位及澳門東亞大學之中國法律文憑。

**何偉志先生**，現年55歲，為執業會計師何偉志會計師行之獨資擁有人，亦為英國英格蘭及威爾斯特許會計師公會之會員及香港會計師公會之資深會員。何先生於二零零四年九月加入本公司。

**連偉雄先生**，現年43歲，自一九九七年起為香港執業律師，並為香港之律師事務所梁心端連偉雄律師事務所之合夥人。連先生於英國東倫敦大學畢業，取得法律文學士學位。連先生於二零零五年四月十二日獲委任為非執行董事。

# PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

## 董事及高級管理人員履歷

### SENIOR MANAGEMENT

**Mr. Chan Kin Wah, Billy**, aged 43, is the Chief Financial Officer, the Qualified Accountant and the Company Secretary of the Company. He is responsible for the overall financial control and management of the Group. Prior to joining the Company in September 2003, he worked in the accounting, finance and taxation field for over 15 years and has over ten years of working experience in Hong Kong listed companies. He is an associate member of the Hong Kong Institute of Certified Public Accountants, a CPA member of CPA Australia and a non-practicing member of the Chinese Institute of Certified Public Accountants. He holds a Bachelor of Administration Degree from the University of Ottawa in Canada and a Master of Commerce Degree in Professional Accounting from the University of New South Wales in Australia.

**Mr. Kam Lap Sing, Kelvin**, aged 39, is the Deputy General Manager of the Group and is responsible for the sales and marketing of video products and 35-mm films in the PRC. Prior to joining the Group in May 2003, he was a manager of a company within the China Star Group and was responsible for the sale of video products in the PRC. He has over 8 years of experience in film distribution in Hong Kong and the PRC.

### 高級管理人員

**陳健華先生**，現年43歲，為本公司之財務總監、合資格會計師及公司秘書，負責本集團之整體財務監控及管理。二零零三年九月加入本公司前，陳先生於會計、財務及稅務行業工作超過15年，並於香港之上市公司累積超過10年之工作經驗。陳先生為香港會計師公會會員、澳洲會計師公會之高級會員及中國註冊會計師協會之非執業會員。陳先生持有加拿大渥太華大學之工商管理學士學位及澳洲新南威爾斯大學之專業會計商學碩士學位。

**金立成先生**，現年39歲，為本集團之副總經理，負責影視產品及35毫米電影於中國之銷售及市場推廣。二零零三年五月加入本集團前，金先生為中國星集團旗下一間公司之經理，負責於中國銷售影視產品。金先生於香港及中國從事電影發行方面擁有超過8年經驗。

# REPORT OF THE AUDITORS

## 核數師報告書



國衛會計師事務所  
**Hodgson Impey Cheng**

Chartered Accountants  
Certified Public Accountants

31/F Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

**TO THE SHAREHOLDERS OF  
RICHE MULTI-MEDIA HOLDINGS LIMITED**  
*(incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 34 to 111 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

香港  
中環  
畢打街11號  
置地廣場  
告羅士打大廈31樓

**致豐采多媒體集團有限公司**  
*(於百慕達註冊成立之有限公司)*  
**全體股東**

本核數師行已完成審核第34至111頁之財務報表，該等財務報表乃按照香港公認會計原則編製。

### 董事及核數師各自之責任

編製真實兼公平之財務報表乃 貴公司董事之責任。在編製該等真實兼公平之財務報表時，董事必須採用適當之會計政策，並且貫徹應用該等會計政策。

本核數師行之責任是根據審核之結果，對該等財務報表作出獨立意見，並根據一九八一年百慕達公司法第90條向股東(作為法人)報告，除此以外並無其他用途。本核數師行並不就本報告之內容向任何其他人士承擔責任。

### 意見之基礎

本核數師行已按照香港會計師公會所頒佈之香港核數準則進行審核工作。審核範圍包括以抽查方式查核與財務報表所載數額及披露事項有關之憑證，亦包括評審董事於編製財務報表時所作之重大估計和判斷、所採用之會計政策是否適合 貴公司與 貴集團之具體情況，及有否貫徹應用並足夠披露該等會計政策。



# REPORT OF THE AUDITORS

## 核數師報告書

### BASIS OF OPINION (Continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**HLB Hodgson Impey Cheng**  
Chartered Accountants  
Certified Public Accountants

Hong Kong, 24 April 2006

### 意見之基礎 (續)

本核數師行在策劃和進行審核工作時，均以取得所有本核數師行認為必需之資料及解釋為目標，以便獲得充份憑證，就該等財務報表是否存有重大錯誤陳述，作出合理之確定。在作出意見時，本核數師行亦已評估該等財務報表所載之資料在整體上是否足夠。本核數師行相信本核數師行之審核工作已為下列意見提供合理之基礎。

### 意見

本核數師行認為，上述之財務報表足以真實兼公平地反映 貴公司與 貴集團於二零零四年十二月三十一日之財務狀況，及 貴集團截至該日止年度之虧損及現金流量，並按照香港公司條例之披露規定妥為編製。

**國衛會計師事務所**  
英國特許會計師  
香港執業會計師

香港，二零零六年四月二十四日

# CONSOLIDATED BALANCE SHEET

## 綜合資產負債表

At 31 December 2005

於二零零五年十二月三十一日

	Notes 附註	2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元 (restated) (重列)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	3,418	7,975
Interests in leasehold land	7	—	1,580
Film rights	8	—	9,236
Goodwill	10	—	4,400
Interests in associates	11	—	—
Club memberships		172	172
		<b>3,590</b>	<b>23,363</b>
<b>Current assets</b>			
Inventories	12	6	15
Film rights	8	—	1,105
Film rights deposits		14	14
Trade receivables	13	4,729	23,308
Deposits, prepayments and other receivables	14	54,202	4,584
Deposit with a related company		—	5,000
Financial assets at fair value through profit and loss	15	30,567	41,732
Available-for-sale financial assets	16	—	18,000
Amount due from an associate	17	—	300
Tax prepayment	18	4,146	—
Cash and bank balances		137,973	15,460
		<b>231,637</b>	<b>109,518</b>
<b>Total assets</b>		<b>235,227</b>	<b>132,881</b>
<b>EQUITY</b>			
<b>Capital and reserve attributable to the Company's equity holders</b>			
Share capital	19	51,540	47,520
Reserves	20	116,070	21,051
		<b>167,610</b>	<b>68,571</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	22	1,714	1,983
Other payables and accruals	23	7,619	3,797
Receipt in advance		483	1,204
Amounts due to related companies	24	34,832	549
Obligations under a finance lease — amount due within one year	25	—	8
Convertible notes payable	26	—	33,800
Taxation payable		22,969	22,969
		<b>67,617</b>	<b>64,310</b>
<b>Total equity and liabilities</b>		<b>235,227</b>	<b>132,881</b>
<b>Net current assets</b>		<b>164,020</b>	<b>45,208</b>
<b>Total assets less current liabilities</b>		<b>167,610</b>	<b>68,571</b>

Approved by the board of directors on 24 April 2006 and signed on its behalf by

**Heung Wah Keung**  
向華強  
Director  
董事

The accompanying notes form an integral part of these financial statements.

於二零零六年四月二十四日經董事會批准，並由下列代表簽署

**Chen Ming Yin Tiffany**  
陳明英  
Director  
董事

隨附之附註乃本財務報表之一部分。

# BALANCE SHEET

## 資產負債表

At 31 December 2005  
於二零零五年十二月三十一日

		Notes 附註	2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
<b>Non-current assets</b>	<b>非流動資產</b>			
Interests in subsidiaries	附屬公司權益	9	—	96,025
<b>Current assets</b>	<b>流動資產</b>			
Cash and bank balances	現金及銀行結存		136,670	117
<b>Total assets</b>	<b>資產總值</b>		<b>136,670</b>	<b>96,142</b>
<b>Equity</b>	<b>股權</b>			
Share capital	股本	19	51,540	47,520
Reserves	儲備	20	47,479	12,853
			<b>99,019</b>	<b>60,373</b>
<b>Current liabilities</b>	<b>流動負債</b>			
Trade payables	貿易應付款項		—	85
Other payables and accruals	其他應付款項及應計費用		1,118	1,113
Amounts due to subsidiaries	應付附屬公司款項		2,733	771
Amount due to a related company	應付關連公司款項	24	33,800	—
Convertible notes payable	應付可換股票據	26	—	33,800
			<b>37,651</b>	<b>35,769</b>
<b>Total equity and liabilities</b>	<b>股權及負債總額</b>		<b>136,670</b>	<b>96,142</b>
<b>Net current assets/(liabilities)</b>	<b>流動資產／(負債)淨值</b>		<b>99,019</b>	<b>(35,652)</b>
<b>Total assets less current liabilities</b>	<b>總資產減流動負債</b>		<b>99,019</b>	<b>60,373</b>

Approved by the board of directors on 24 April 2006 and signed on its behalf by

於二零零六年四月二十四日經董事會批准，並由下列代表簽署

**Heung Wah Keung**  
向華強  
Director  
董事

**Chen Ming Yin Tiffany**  
陳明英  
Director  
董事

The accompanying notes form an integral part of these financial statements.

隨附之附註乃本財務報表之一部分。

# CONSOLIDATED INCOME STATEMENT

## 綜合收益表

For the year ended 31 December 2005  
截至二零零五年十二月三十一日止年度

		Notes 附註	2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元 (restated) (重列)
Turnover	營業額	27	38,339	58,382
Cost of sales	銷售成本		(36,466)	(48,674)
Gross profit	毛利		1,873	9,708
Other revenue	其他收益	28	2,066	390
Other income	其他收入	28	7,110	—
Administrative expenses	行政開支		(19,332)	(36,266)
Selling expenses	銷售開支		(29)	(234)
Impairment loss recognised in respect of film rights	已確認電影發行權減值虧損		(8,956)	(16,213)
Impairment loss recognised in respect of other asset	已確認其他資產減值虧損		—	(46,512)
Impairment loss recognised in respect of goodwill	已確認商譽減值虧損		(12,056)	(28,072)
Impairment loss recognised in respect of available-for-sale financial assets	已確認可供出售之金融資產減值虧損		—	(12,000)
Allowance for advances to an associate	墊付聯營公司款項撥備		—	(138,531)
Loss from operations	經營虧損	29	(29,324)	(267,730)
Finance costs	融資費用	30	(340)	(340)
Loss before taxation	除稅前虧損		(29,664)	(268,070)
Taxation	稅項	33	—	(277)
Loss for the year	本年度虧損		(29,664)	(268,347)
Attributable to: Equity holders of the Company	歸屬於： 本公司股權持有人		(29,664)	(268,347)
Loss per share attributable to the equity holders of the Company	本公司股權持有人應佔每股虧損			
Basic	基本	34	HK(0.61) cents	HK(5.65) cents
Diluted	攤薄	34	HK(0.61) cents	HK(5.65) cents

All of the Group's activities are classed as continuing.

本集團所有業務均分類為持續經營。

The accompanying notes form an integral part of these financial statements.

隨附之附註乃本財務報表之一部分。

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## 綜合股本變動表

At 31 December 2005

於二零零五年十二月三十一日

		Share capital 股本 HK\$'000 千港元	Share premium 股份溢價 HK\$'000 千港元	Capital reserve 股本儲備 HK\$'000 千港元	Contributed surplus 實繳盈餘 HK\$'000 千港元	Properties revaluation reserve 物業重估儲備 HK\$'000 千港元 (restated) (重列)	(Accumulated losses)/ retained profits (累計虧損)/ 保留溢利 HK\$'000 千港元 (restated) (重列)	Total 總計 HK\$'000 千港元 (restated) (重列)
At 1 January 2004 as previously reported	於二零零四年 一月一日 (如前呈報)	47,520	—	19,834	80,103	5,073	185,125	337,655
Effect on adoption of HKAS 17	採納香港會計準則 第17號之影響	—	—	—	—	(2,638)	1,154	(1,484)
As restated at 1 January 2004	於二零零四年 一月一日(重列)	47,520	—	19,834	80,103	2,435	186,279	336,171
Revaluation surplus on leasehold land and buildings not recognised in the consolidated income statement	租賃土地及 樓宇重估盈餘 並無於綜合 收益表確認	—	—	—	—	1,559	—	1,559
Effect on adoption of HKAS 17	採納香港會計準則 第17號之影響	—	—	—	—	(812)	—	(812)
Net loss for the year	本年度虧損淨額	—	—	—	—	—	(268,347)	(268,347)
As restated at 31 December 2004 and 1 January 2005	於二零零四年 十二月三十一日 及二零零五年 一月一日(重列)	47,520	—	19,834	80,103	3,182	(82,068)	68,571
Reserve realised on disposal of leasehold land and buildings	出售租賃土地及 樓宇之已變現 儲備	—	—	—	—	(3,182)	—	(3,182)
Issuance of new shares	發行新股份	4,020	132,706	—	—	—	—	136,726
Share issue expenses	股份發行開支	—	(4,841)	—	—	—	—	(4,841)
Net loss for the year	本年度虧損淨額	—	—	—	—	—	(29,664)	(29,664)
At 31 December 2005	於二零零五年 十二月三十一日	51,540	127,865	19,834	80,103	—	(111,732)	167,610

The accompanying notes form an integral part of these financial statements.

隨附之附註乃本財務報表之一部分。



# CONSOLIDATED CASH FLOW STATEMENT

## 綜合現金流量表

At 31 December 2005

於二零零五年十二月三十一日

		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元 (restated) (重列)
<b>CASH FLOWS FROM OPERATING ACTIVITIES 經營業務之現金流量</b>			
Loss from operations	經營虧損	(29,324)	(267,730)
Adjustments for:	調整：		
Interest income	利息收入	(1,339)	(14)
Allowance for advances to an associate	墊付聯營公司款項撥備	—	138,531
Allowance for film rights deposits	電影發行權按金撥備	—	1,000
Allowance for inventory obsolescence	陳舊存貨撥備	—	917
Amortisation of film rights	電影發行權攤銷	10,332	17,894
Amortisation of prepaid operating lease payments	預付經營租約租金攤銷	10	20
Amortisation of goodwill	商譽攤銷	—	3,953
Amortisation of other asset	其他資產攤銷	—	6,644
Depreciation of property, plant and equipment	物業、廠房及設備折舊	1,108	1,216
Impairment loss on provision of bad and doubtful debts	呆壞賬撥備減值虧損	2,474	1,648
Impairment loss recognised in respect of film rights	已確認電影發行權減值虧損	8,956	16,213
Impairment loss recognised in respect of other asset	已確認其他資產減值虧損	—	46,512
Impairment loss recognised in respect of goodwill	已確認商譽減值虧損	12,056	28,072
Impairment loss recognised in respect of prepayments	已確認預付款項減值虧損	1,188	—
Impairment loss recognised in respect of available-for-sale financial assets	已確認可供出售之金融資產減值虧損	—	12,000
Gain on disposal of leasehold land and buildings	出售租賃土地及樓宇之收益	(7,110)	—
Unrealised gain on sales to associates eliminated	抵銷向聯營公司銷售之未變現收益	—	1,337
Operating cash flows before movements in working capital	營運資金變動前之經營現金流量	(1,649)	8,213
Decrease in inventories	存貨減少	9	537
Additions in film rights	電影發行權增加	(8,947)	(18,328)
Decrease in film rights deposits	電影發行權按金減少	—	2,956
Decrease in trade receivables	貿易應收款項減少	16,105	31,546
(Increase)/decrease in other receivables, prepayments and deposits	其他應收款項、預付款項及按金(增加)/減少	(50,037)	5,049
Decrease/(increase) in financial assets at fair value through profit and loss	按公平值計入損益表之金融資產減少/(增加)	11,165	(41,732)
Decrease in available-for-sale financial assets	可供出售之金融資產減少	18,000	—
Decrease in deposit with a related company	向關連人士支付之按金減少	5,000	—
Decrease/(increase) in amount due from an associate	應收聯營公司款項減少/(增加)	300	(2,854)
Decrease in trade payables	貿易應付款項減少	(269)	(13,978)
Increase in other payables and accruals	其他應付款項及應計費用增加	132	1,328
Decrease in receipt in advance	預收款項減少	(9,699)	(10,409)
Increase in amounts due to related companies	應付關連公司款項增加	34,283	549
Cash generated from/(used in) operations	營運所產生/(所用)之現金	14,393	(37,123)
Hong Kong Profits Tax refunded	退回香港利得稅	—	709
Net cash generated from/(used in) operating activities	經營業務所產生/(所用)之現金淨額	14,393	(36,414)

# CONSOLIDATED CASH FLOW STATEMENT

## 綜合現金流量表

At 31 December 2005

於二零零五年十二月三十一日

		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元 (restated) (重列)
<b>INVESTING ACTIVITIES</b>	<b>投資活動</b>		
Interest received	已收取利息	1,339	1,614
Acquisition of an associate	收購聯營公司	—	(30,000)
Proceed from sales of leasehold land and buildings	出售租賃土地及樓宇之所得款項	9,000	—
Effect from acquisition of a subsidiary	收購附屬公司之影響	95	—
Purchase of property, plant and equipment	購入物業、廠房及設備	(53)	(99)
Net cash generated from/(used in) investing activities	投資活動所產生／(所用)之現金淨額	10,381	(28,485)
<b>FINANCING ACTIVITIES</b>	<b>融資活動</b>		
Interest paid	已付利息	(340)	(340)
Issuance of new shares	發行新股份	131,179	—
Issuance of new shares upon exercise of share options	於行使購股權時發行新股份	706	—
Payment of convertible notes payable	支付應付可換股票據	(33,800)	—
Payment of capital element of a finance lease	支付融資租約之資本部份	(6)	(23)
Net cash generated from/(used in) financing activities	融資活動所產生／(所用)之現金淨額	97,739	(363)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>現金及等同現金項目增加／(減少)淨額</b>	<b>122,513</b>	<b>(65,262)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>年初之現金及等同現金項目</b>	<b>15,460</b>	<b>80,722</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>年終之現金及等同現金項目</b>	<b>137,973</b>	<b>15,460</b>
Analysis of the balances of cash and cash equivalents	現金及等同現金項目結存分析		
Cash and bank balances	現金及銀行結存	137,973	15,460

The accompanying notes form an integral part of these financial statements.

隨附之附註乃本財務報表之一部分。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005

二零零五年十二月三十一日

### 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The address of the register office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The principal activities of the Group are distribution of films, sub-licensing films rights, and investments in securities.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations (Ints) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The measurement basis used in the preparation of the financial statement is historical cost as modified for the revaluation of certain financial assets and buildings.

The Group's books and records are maintained in Hong Kong Dollar ("HK\$"), the currency in which the majority of the Group's transactions is denominated.

### 1. 一般資料

本公司為於百慕達註冊成立之受豁免有限公司，而其股份在香港聯合交易所有限公司上市。

本公司之註冊辦事處地址為Clarendon House, 2 Church Street, Hamilton HM11, Bermuda。

本集團之主要業務為發行電影、轉授電影發行權及證券投資。

### 2. 主要會計政策概要

編製本綜合財務報表時應用之主要會計政策載列如下。除另有指明外，該等政策於呈列之所有年度獲貫徹應用。

#### 編製基準

本公司之綜合財務報表乃根據香港會計師公會（「香港會計師公會」）頒佈之所有適用香港財務報告準則（「香港財務報告準則」），當中亦包括所有適用之個別香港財務報告準則、香港會計準則（「香港會計準則」）及詮釋（「詮釋」）、香港公認會計原則及香港公司條例之披露規定編製。此外，財務報表符合香港聯合交易所有限公司證券上市規則之適用披露規定。

編製財務報表時採用之計量基準為歷史成本，並已就若干金融資產及樓宇之重估作出修改。

本集團之賬冊及紀錄以港元（「港元」）設置，本集團大部份交易均以該貨幣為單位。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005  
二零零五年十二月三十一日

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of preparation (Continued)

The preparation of the financial statements requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

#### The adoption of new/revised HKFRSs

In 2005, the Group adopted the new/revised standards and Interpretations of HKFRSs below, which are relevant to its operations. The 2004 comparative figures have been restated as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS-Int 21	Income Taxes-Recovery of Revalued Non Depreciable Assets
HKFRS 2	Share-based payment
HKFRS 3	Business Combinations

### 2. 主要會計政策概要 (續)

#### 編製基準 (續)

編製財務報表時，管理層須在應用本公司會計政策過程中行使其判斷。涉及高度之判斷或高度複雜性之範疇，或涉及對綜合財務報表屬重大假設和估計之範疇。

#### 採納新訂／經修訂香港財務報告準則

於二零零五年，本集團採納以下與其業務相關之香港財務報告準則新訂／經修訂準則及詮釋。二零零四年比較數字已於需要時按有關規定重列。

香港會計準則第1號	財務報表之呈列
香港會計準則第2號	存貨
香港會計準則第7號	現金流量表
香港會計準則第8號	會計政策、會計估計變動及誤差
香港會計準則第10號	結算日後事項
香港會計準則第16號	物業、廠房及設備
香港會計準則第17號	租賃
香港會計準則第21號	外幣匯率變動之影響
香港會計準則第23號	借貸成本
香港會計準則第24號	關連人士披露
香港會計準則第27號	綜合及獨立財務報表
香港會計準則第32號	金融工具：披露及呈報
香港會計準則第33號	每股盈利
香港會計準則第36號	資產減值
香港會計準則第38號	無形資產
香港會計準則第39號	金融工具：確認及計量
香港會計準則詮釋第21號	所得稅 — 收回經重估之不可折舊資產
香港財務報告準則第2號	以股份形式支付之款項
香港財務報告準則第3號	業務合併

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005

二零零五年十二月三十一日

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of preparation (Continued)

#### The adoption of new/revised HKFRSs (Continued)

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27 and 33 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.
- HKASs 2, 7, 8, 10, 16, 23, 27 and 33 had no material effect on the Group's policies.
- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at fair value or cost less accumulated depreciation and accumulated impairment.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of an asset. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior year, the carrying amount of that asset was expected to be recovered through sale.

### 2. 主要會計政策概要 (續)

#### 編製基準 (續)

#### 採納新訂／經修訂香港財務報告準則 (續)

採納新訂／經修訂香港會計準則第1、2、7、8、10、16、21、23、24、27及33號並無導致本集團之會計政策出現重大變動。概括而言：

- 香港會計準則第1號影響少數股東權益、應佔聯營公司除稅後淨業績及其他披露之呈報形式。
- 香港會計準則第2、7、8、10、16、23、27及33號對本集團之政策並無重大影響。
- 香港會計準則第21號對本集團之政策並無重大影響。各綜合實體之功能貨幣已根據經修訂準則之指引重新評估。
- 香港會計準則第24號影響關連人士之識別及若干其他關連人士披露。

採納經修訂之香港會計準則第17號導致有關將土地使用權由物業、廠房及設備重新分類為經營租約之會計政策有所變動。就土地使用權作出之首期預付款項在租賃期間以直線法於收益表支銷，或倘出現減值，則將減值於收益表支銷。於過往年度，租賃土地按公平值或成本減累計折舊及累計減值列賬。

採納香港會計準則第32及39號導致有關按公平值計入損益表之金融資產及可供出售之金融資產分類之會計政策有所變動。這亦導致衍生金融工具按公平值確認，及對沖活動之確認及計量有所變動。

採納經修訂之香港會計準則詮釋第21號導致有關計量重估資產所產生之遞延稅項負債之會計政策有所變動。此等遞延稅項負債按照透過使用該資產而可收回之賬面值所得之稅務後果為基準計量。於過往年度，該資產之賬面值預期可透過出售收回。



# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005  
二零零五年十二月三十一日

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of preparation (Continued)

##### The adoption of new/revised HKFRSs (Continued)

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. With effect from 1 January 2005, the Group recognises the fair value of share options granted as an expense in the income statement over the vesting period with a corresponding increase being recognised in an option reserve. The related option reserve is transferred to share capital and share premium, together with the exercise price, when the option holder exercises its rights.

As transitional provision set out in HKFRS 2, the cost of share options granted after 7 November 2002 and had not yet vested on 1 January 2005 shall expense retrospectively in the income statement of the respective periods. The Group has taken the advantages of the transitional provisions under which all of the Company's outstanding share options granted after 7 November 2002 were all vested at the date of granting the share options. As a result, the adoption of HKFRS 2 does not have material impact on the Group's financial position for the year ended 31 December 2005.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was:

- Amortised on a straight line basis over a period ranging from 5 to 20 years; and
- Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

- The Group ceased amortisation of goodwill from 1 January 2005;
- Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill; and
- From the year ended 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

### 2. 主要會計政策概要 (續)

#### 編製基準 (續)

##### 採納新訂／經修訂香港財務報告準則 (續)

採納香港財務報告準則第2號導致有關以股份形式支付之款項之會計政策有所變動。由二零零五年一月一日起，本集團將所授出購股權之公平值按歸屬期間於收益表列為開支，並將相應增加確認入購股權儲備。有關購股權儲備於購股權持有人行使其權利時連行行使價轉撥至股本及股份溢價。

按香港財務報告準則第2號之過渡條文所載，於二零零二年十一月七日後授出並於二零零五年一月一日仍未歸屬之購股權成本將追溯於有關期間之收益表列作開支。本集團已採用該等過渡條文，據此，所有於二零零二年十一月七日後授出之尚未行使本公司購股權均已於授出購股權日期歸屬。因此，採納香港財務報告準則第2號對本集團截至二零零五年十二月三十一日止年度之財務狀況並無重大影響。

採納香港財務報告準則第3號、香港會計準則第36號及香港會計準則第38號導致商譽之會計政策有所變動。於二零零四年十二月三十一日前，商譽為：

- 按介乎5至20年之期間以直線法攤銷；及
- 於各結算日就減值跡象作出評估。

根據香港財務報告準則第3號之條文：

- 本集團由二零零五年一月一日起不再進行商譽攤銷；
- 於二零零四年十二月三十一日之累計攤銷已經對銷，並相應減少商譽成本；
- 由截至二零零五年十二月三十一日止年度起，商譽每年及出現減值跡象時進行減值測試。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005

二零零五年十二月三十一日

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of preparation (Continued)

#### The adoption of new/revised HKFRSs (Continued)

The Group has reassessed the useful lives of its film rights in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

- HKAS 16 — the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;
- HKAS 21 — prospective accounting for goodwill and fair value adjustments as part of foreign operations;
- HKAS 39 — does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 “Accounting for investments in securities” to investments in securities and also to hedge relationships for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 January 2005; and
- HKFRS 3 — prospectively after 1 January 2005.

### 2. 主要會計政策概要 (續)

#### 編製基準 (續)

#### 採納新訂／經修訂香港財務報告準則 (續)

本集團已根據香港會計準則第38號之條文重新評估其電影發行權之可使用年期。重新評估後並無導致任何調整。

本集團已根據各有關準則之過渡性條文對會計政策作出所有變更(如適用)。本集團採納之所有準則均需要追溯應用，惟以下除外：

- 香港會計準則第16號 — 在互換資產交易中所購入之物業、廠房及設備項目之初步計量按公平值入賬，僅就生效日期起之未來交易適用；
- 香港會計準則第21號 — 由生效日期起將商譽及公平值調整作為海外業務之一部份記賬；
- 香港會計準則第39號 — 此準則不容許追溯確認、撤銷確認及計量金融資產及負債。本集團對二零零四年比較資料之證券投資及對沖關係，應用以往之會計實務準則第24號「證券投資之會計處理」。會計實務準則第24號與香港會計準則第39號之間之會計差異所需之調整於二零零五年一月一日釐定及確認；及
- 香港財務報告準則第3號 — 由二零零五年一月一日起在未來應用。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005  
二零零五年十二月三十一日

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of preparation (Continued)

#### The adoption of new/revised HKFRSs (Continued)

Effect on the consolidated balance sheet at 1 January 2005:

		Effect of adopting 採納之影響			Total 總計 HK\$'000 千港元
		HKAS 17 香港會計準則 第17號 Interests in leasehold land 租賃土地權益 HK\$'000 千港元	HKAS 39 香港會計準則 第39號 Financial instruments 金融工具 HK\$'000 千港元	HKFRS 3 香港財務報告 準則第3號 Business combination 業務合併 HK\$'000 千港元	
At 1 January 2005 於二零零五年一月一日					
Effect of new policies 新政策之影響					
<b>Assets</b>	<b>資產</b>				
Decrease in investments in securities	證券投資減少	—	(59,732)	—	(59,732)
Increase in financial assets at fair value through profit and loss	按公平值計入 損益表之金融 資產增加	—	41,732	—	41,732
Increase in available-for-sale financial assets	可供出售金融 資產增加	—	18,000	—	18,000
		—	—	—	—

Effect on the consolidated balance sheet at 1 January 2004:

		Effect of adopting 採納之影響			Total 總計 HK\$'000 千港元
		HKAS 17 香港會計準則 第17號 Interests in leasehold land 租賃土地權益 HK\$'000 千港元	HKAS 39 香港會計準則 第39號 Financial instruments 金融工具 HK\$'000 千港元	HKFRS 3 香港財務報告 準則第3號 Business combination 業務合併 HK\$'000 千港元	
At 1 January 2004 於二零零四年一月一日					
Effect of new policies 新政策之影響					
<b>Assets</b>	<b>資產</b>				
Decrease in property, plant and equipment	物業、廠房 及設備	(3,084)	—	—	(3,084)
Increase in interests in leasehold land	減少租賃土地 權益增加	1,932	—	—	1,932
		(1,152)	—	—	(1,152)

### 2. 主要會計政策概要 (續)

#### 編製基準 (續)

#### 採納新訂／經修訂香港財務報告準則 (續)

對於二零零五年一月一日之綜合資產負債表之影響：

對於二零零四年一月一日之綜合資產負債表之影響：

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005  
二零零五年十二月三十一日

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of preparation (Continued)

#### The adoption of new/revised HKFRSs (Continued)

Effect on the balances of equity at 1 January 2004 and 2005

		Effect of adopting 採納之影響			Total 總計 HK\$'000 千港元
		HKAS 17 香港會計準則 第17號 Interests in leasehold land 租賃土地權益 HK\$'000 千港元	HKAS 39 香港會計準則 第39號 Financial instruments 金融工具 HK\$'000 千港元	HKFRS 3 香港財務報告 準則第3號 Business combination 業務合併 HK\$'000 千港元	
<b>Effect of new policies</b> 新政策之影響					
<b>1 January 2004</b>	二零零四年一月一日				
Decrease in properties revaluation reserve	物業重估儲備	(2,638)	—	—	(2,638)
Increase in retained profits	減少保留溢利增加	1,154	—	—	1,154
		(1,484)	—	—	(1,484)
<b>1 January 2005</b>	二零零五年一月一日				
Decrease in properties revaluation reserve	物業重估 儲備減少	(812)	—	—	(812)

Effect on the consolidated income statement for the years ended 31 December 2004 and 2005

#### 編製基準 (續)

採納新訂／經修訂香港財務報告準則 (續)

對於二零零四年及二零零五年一月一日之股權結餘之影響：

對截至二零零四年及二零零五年十二月三十一日止年度之綜合收益表之影響：

		Effect of adopting 採納之影響			Total 總計 HK\$'000 千港元
		HKAS 17 香港會計準則 第17號 Interests in leasehold land 租賃土地權益 HK\$'000 千港元	HKAS 39 香港會計準則 第39號 Financial instruments 金融工具 HK\$'000 千港元	HKFRS 3 香港財務報告 準則第3號 Business combination 業務合併 HK\$'000 千港元	
<b>Effect of new policies</b> 新政策之影響					
<b>Year ended 31 December 2004</b>	截至二零零四年 十二月三十一日 止年度				
Decrease in administrative expenses	行政開支減少	(43)	—	—	(43)
Total decrease in loss for the year	本年度虧損 減少總額	(43)	—	—	(43)
Increase in basic loss per share (HK cents)	每股基本虧損 增加(港仙)	—	—	—	—
Increase in diluted loss per share (HK cents)	每股攤薄虧損 增加(港仙)	—	—	—	—

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005  
二零零五年十二月三十一日

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of preparation (Continued)

#### The adoption of new/revised HKFRSs (Continued)

Effect on the consolidated income statement for the years ended 31 December 2004 and 2005 (Continued)

### 2. 主要會計政策概要 (續)

#### 編製基準 (續)

採納新訂／經修訂香港財務報告準則 (續)

對截至二零零四年及二零零五年十二月三十一日止年度之綜合收益表之影響：(續)

		Effect of adopting 採納之影響			Total 總計 HK\$'000 千港元
		HKAS 17 香港會計準則 第17號 Interests in leasehold land 租賃土地權益 HK\$'000 千港元	HKAS 39 香港會計準則 第39號 Financial instruments 金融工具 HK\$'000 千港元	HKFRS 3 香港財務報告 準則第3號 Business combination 業務合併 HK\$'000 千港元	
Effect of new policies 新政策之影響					
Year ended 31 December 2005	截至二零零五年 十二月三十一日 止年度				
Increase in prepaid operating lease payments	預付經營租約 租金增加	10	—	—	10
Total increase in loss for the year	本年度虧損 增加總額	10	—	—	10
Increase in basic loss per share (HK cents)	每股基本虧損 增加(港仙)	—	—	—	—
Increase in diluted loss per share (HK cents)	每股攤薄虧損 增加(港仙)	—	—	—	—

There was no material impact on basic and diluted earnings per share from the adoption of HKAS 39 and HKFRS 3.

採納香港會計準則第39號及香港財務報告準則第3號對每股基本及攤薄盈利並無重大影響。

There was no material impact on opening retained profits at 1 January 2004 from the adoption of HKFRS 2 and HKFRS 3.

採納香港財務報告準則第2號及香港財務報告準則第3號對於二零零四年一月一日之期初保留溢利並無重大影響。



# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005  
二零零五年十二月三十一日

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of preparation (Continued)

#### The adoption of new/revised HKFRSs (Continued)

No early adoption of the following new Standards or Interpretations that have been issued but are not yet effective. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 (Amendment)	Capital Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transaction
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosure
HK(IFRIC)-Int 4	Determining whether an Arrangement contain a Lease

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosure about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual period beginning on or after 1 January 2007.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

### 2. 主要會計政策概要 (續)

#### 編製基準 (續)

#### 採納新訂／經修訂香港財務報告準則 (續)

下列已發出但仍未生效之新訂準則或詮釋並無提早採納。除另有指明外，該等香港財務報告準則適用於二零零六年一月一日或之後開始之年度期間：

香港會計準則 第1號(修訂本)	資本披露
香港會計準則 第39號(修訂本)	集團間預測交易 之現金流量對 沖會計處理
香港會計準則 第39號(修訂本)	公平值期權
香港會計準則 第39號及香港 財務報告 準則第4號 (修訂本)	財務擔保合約
香港財務報告準則 第7號	金融工具：披露
香港財務報告準則 詮釋第4號	釐定一項安排是 否包含租賃

香港會計準則第1號(修訂本)適用於二零零七年一月一日或之後開始之年度期間。經修訂準則將影響下列各項之披露：本集團資本管理之目標、政策及程序等實質資料、本公司視為資本之量化數據、對任何資本要求之遵行情形，以及任何不合規情況之後果。

香港財務報告準則第7號將取代香港會計準則第32號，並修訂了香港會計準則第32號有關金融工具之披露要求。此項香港財務報告準則適用於二零零七年一月一日或之後開始之年度期間。

除上述者外，本集團預期採納上列其他公告將不會對本集團於首次應用期間之財務報表構成任何重大影響。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005

二零零五年十二月三十一日

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of significant accounting policies followed by the Group and the Company in the preparation of the financial statements is set out below:

#### (a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

#### (b) Revenue recognition

Revenue from the distribution of films is recognised when the video products or master materials of films are delivered to customers and the title has passed.

Revenue from sub-licensing of film rights is recognised upon delivery of the master materials of films to customers.

Revenue from sale of advertising rights is recognised when the right to receive payment is established.

Proceeds from sales of financial assets are recognised when sale and purchase contracts became unconditional.

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

### 2. 主要會計政策概要 (續)

本集團及本公司於編製財務報表時沿用之主要會計政策概要載列如下：

#### (a) 綜合基準

綜合財務報表包括本公司及其附屬公司截至每年十二月三十一日之財務報表。

年內所收購或出售附屬公司之業績均自收購生效日期起或截至出售生效日期(視乎情況而定)計入綜合收益表。

#### (b) 收益確認

發行電影所得收益於影視產品或電影母帶材料付運予客戶及所有權轉移時入賬。

轉授電影發行權所得收益在將電影母帶材料付運予客戶時入賬。

銷售廣告權之收益乃於確立收款權利時入賬。

出售金融資產所得款項乃於買賣合約變得無條件時入賬。

投資之股息收入乃於股東可獲派息之權利確立時入賬。

利息收入乃根據尚未償還本金額及有關利率按時間比例入賬。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005

二零零五年十二月三十一日

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (c) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

##### i. Calculation of recoverable amount

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of any asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of asset that generates cash inflows independently (i.e. a cash-generating unit).

##### ii. Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. An impairment loss of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates the reversal effect of that specific event.

### 2. 主要會計政策概要 (續)

#### (c) 資產減值

於每個結算日，均會審閱內在及外來資料來源，以確定是否有任何跡象顯示資產出現減值，或是否有任何跡象顯示早前已確認之減值虧損已不再存在或可能已經減少。倘存在任何該等跡象，則會估計資產之可收回金額。每當資產之賬面值超過其可收回金額時，均會確認減值虧損。減值虧損於產生年度自收益表扣除，惟倘有關資產按重估值入賬，則根據該重估資產之相關會計政策將減值虧損入賬。

##### i. 計算可收回金額

資產之可收回金額為其淨售價與使用價值兩者中之較高者。淨售價為於公平磋商交易中銷售資產所得之金額，而使用價值則為預期將因持續使用任何資產或自於其可使用年期結束時將其出售所產生之估計未來現金流量之現值。倘資產並無產生在很大程度上獨立於其他資產之現金流入，則可收回金額乃就能獨立產生現金流入之最小組別資產（即現金產生單位）而釐定。

##### ii. 減值虧損撥回

就商譽以外之資產而言，倘用以釐定可收回金額之估計發生變化，則會將減值虧損撥回。商譽之減值虧損僅於虧損乃因性質特殊且預期不會再次發生之特定外來事件所引致，而可收回金額之增加與該特定事件之影響有關，方予撥回。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005

二零零五年十二月三十一日

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (c) Impairment of assets (Continued)

##### ii. Reversals of impairment losses (Continued)

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

#### (d) Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

##### **Assets carried at amortised cost**

If there is objective evidence that an impairment loss on receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit and loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individual significant, and individually or collectively for financial assets that are not individual significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial assets, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

### 2. 主要會計政策概要 (續)

#### (c) 資產減值 (續)

##### ii. 減值虧損撥回 (續)

減值虧損限於倘並無於過往年度確認減值虧損而原應釐定之資產賬面值。減值虧損撥回乃於確認撥回之年度計入收益表。

#### (d) 金融資產減值

本集團於每個結算日評估是否有任何客觀證據顯示一項金融資產或一組金融資產出現減值。

##### **以攤銷成本列賬之資產**

倘有客觀證據顯示以攤銷成本列賬之應收款項已產生減值虧損，則虧值虧損金額為資產賬面值與估計未來現金流量（不包括尚未產生之未來信貸損失）以原始實際利率（即於初步確認時計算之實際利率）貼現之現值兩者之差額。有關資產賬面值可通過直接沖減或通過備抵賬目作出抵減。有關減值虧損金額於損益表確認。

本集團首先對具個別重要性之金融資產進行評估，評估是否有客觀證據顯示個別存在減值，並對非具個別重要性之金融資產進行評估，評估是否有客觀證據顯示個別或共同存在減值。倘經個別評估之金融資產（無論具重要性與否）確定並無客觀證據顯示存在減值，則該項資產會歸入一組具有相類信貸風險特性之金融資產內，並對該組金融資產是否存在減值共同作出評估。倘經個別評估減值之資產並就其減值虧損會或將繼續確認入賬，有關資產則不會納入共同減值評估內。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005

二零零五年十二月三十一日

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Impairment of financial assets (Continued)

##### **Assets carried at amortised cost (Continued)**

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after impairment was recognised, the previous recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

##### **Assets carried at cost**

If there is objective that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

#### (e) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

### 2. 主要會計政策概要 (續)

#### (d) 金融資產減值 (續)

##### **以攤銷成本列賬之資產 (續)**

倘於往後期間，減值虧損金額減少，而減少之原因客觀上與減值確認後所發生之事件相關聯，則先前確認之減值虧損可予撥回。於撥回當日，倘資產賬面值並無超出其攤銷成本，則任何減值虧損之其後撥回將於損益表內確認。

##### **以成本列賬之資產**

倘有客觀證據顯示一項由於不能可靠計量公平值而並未按公平值列賬之無報價股本工具出現減值，則會按照該項資產之公平值與類似金融資產按現行市場回報率貼現之估計未來現金流量現值之差額計量虧損金額。該等資產之減值虧損將不予撥回。

#### (e) 稅項

所得稅支出指現時應付稅項及遞延稅項之總和。

現時應付稅項乃按本年度應課稅溢利計算。應課稅溢利為於應付所得稅時根據稅務機關制定之規則釐定之本年度溢利。

遞延稅項為就財務報表中資產及負債之賬面值及計算應課稅溢利所用相應稅基間之差額而須支付或收回之稅項，並採用資產負債表負債法處理。遞延稅項負債通常會就所有應課稅暫時差額確認，而遞延稅項資產乃按可能出現可利用暫時差額扣稅之應課稅溢利時提撥。若於一項交易中，因商譽(或負商譽)或因業務合併以外原因開始確認其他資產及負債而引致之暫時差額既不影響應課稅溢利、亦不影響會計溢利，則不會確認該等資產及負債。



# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005

二零零五年十二月三十一日

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### (f) Property, plant and equipment

Buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

### 2. 主要會計政策概要 (續)

#### (e) 稅項 (續)

遞延稅項負債乃按因附屬公司及聯營公司投資而引致之應課稅暫時差額而確認，惟若本集團可令暫時差額撥回及暫時差額有可能未必於可見將來撥回之情況除外。

遞延稅項資產之賬面值於每個結算日作檢討，並於沒可能會有足夠應課稅溢利恢復全部或部份資產價值時作調減。

遞延稅項乃按預期於負債清償或資產變現之期間之適用稅率計算。遞延稅項於收益表中扣除或計入收益表。惟倘遞延稅項直接在股本中扣除或計入股本之情況（在此情況下遞延稅項亦會於股本中處理）除外。

#### (f) 物業、廠房及設備

樓宇根據外部獨立估值師定期（但最少每三年一次）進行之估值按公平值減其後之折舊列賬。在重估日之任何累計折舊與資產賬面值總額對銷，而淨額則重列至資產之重估值。所有其他物業、廠房及設備按歷史成本減折舊及減值虧損列賬。歷史成本包括收購該等項目直接應佔之開支。

其後成本只有在與該項目有關之未來經濟利益有可能流入本集團，而該項目之成本能可靠地計量時，方會包括在資產賬面值或確認為獨立資產（如適用）。所有其他維修及保養在產生之財政期間內於收益表支銷。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005

二零零五年十二月三十一日

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (f) Property, plant and equipment (Continued)

Increases in the carrying amount arising on revaluation of buildings are credited to properties revaluation reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are expensed in the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset expensed in the income statement and depreciation based on the asset's original cost is transferred from fair value reserve to retained earnings.

Fixed assets are stated at cost less accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost or valuation of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, at the following rates per annum:

Buildings	2% on straight-line basis
Leasehold improvements	33.3% on reducing balance basis
Office equipment	20% on reducing balance basis
Motor vehicles	20% on reducing balance basis
Furniture and fixtures	15% on reducing balance basis

The gain or loss arising from disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

#### (g) Interest in leasehold land

Interest in leasehold land represents prepaid lease payment made for leasehold land. Interest in leasehold land is stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The cost of interest in leasehold land are amortised on a straight-line basis over the shorter of the relevant interest in leasehold land or the operation period of the relevant company.

### 2. 主要會計政策概要 (續)

#### (f) 物業、廠房及設備 (續)

重估樓宇產生之賬面值增加轉撥至股東權益之物業重估儲備內。對銷同一資產以往增加之減少直接在股權之公平值儲備對銷；所有其他減少在收益表支銷。每年根據資產重估賬面值計算之折舊與根據資產原成本計算之折舊兩者之差額，自公平值儲備中轉撥入保留盈利。

固定資產乃按成本減累計折舊及減值虧損列賬。

物業、廠房及設備之成本或估值，乃按其估計可使用年期及計入其估計剩餘價值以下列年率折舊：

樓宇	以直線法按2%
租賃物業裝修	以餘額遞減法按33.3%
辦公室設備	以餘額遞減法按20%
汽車	以餘額遞減法按20%
傢俬及裝置	以餘額遞減法按15%

出售或棄用資產之盈虧乃指出售所得款項與有關資產賬面值之差額，並於收益表確認。

#### (g) 租賃土地權益

租賃土地權益指就租賃土地作出之預付租金。租賃土地權益乃按成本減其後累計攤銷及任何累計減值虧損。租賃土地權益之成本乃以直線基準就有關租賃土地權益與有關公司之經營年期之較短者攤銷。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005

二零零五年十二月三十一日

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (h) Film rights

Film rights represent films and television drama series produced by the Group or acquired by the Group and are stated at cost less accumulated amortisation and any identified impairment losses.

The cost of film rights is amortised in the proportion that actual income earned during the year bears to the total estimated income from the reproduction and distribution of films and sub-licensing of film rights. The amortisation period will not exceed twenty years.

The portion of film rights expected to be amortised within twelve months from the balance sheet date is reported as a current asset. The portion of film rights expected not to be amortised within twelve months from the balance sheet date is reported as a non-current asset.

#### (i) Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost, less any identified impairment loss.

#### (j) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries and jointly controlled entities is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

### 2. 主要會計政策概要 (續)

#### (h) 電影發行權

電影發行權指本集團所製作或本集團所收購之電影及電視連續劇，並按成本減累計攤銷及任何已識別減值虧損列賬。

電影發行權之成本按年內實際賺取之收入與複製與發行電影及轉授電影發行權預計可得總收入之比例而攤銷。攤銷期不會超過二十年。

預期由結算日起計十二個月內攤銷之電影發行權部份列作流動資產，而預期於結算日起計十二個月內不會攤銷之電影發行權部份則列作非流動資產。

#### (i) 附屬公司投資

附屬公司投資乃按成本減任何已識別減值虧損計入本公司資產負債表。

#### (j) 商譽

商譽指收購成本超出本集團於收購當日所佔所收購附屬公司／聯營公司／共同控制實體可識別資產淨值之公平值之部份。收購附屬公司及共同控制實體產生之商譽包括在無形資產內。收購聯營公司產生之商譽包括在聯營公司投資內。商譽每年進行減值測試，並按成本減累計減值虧損列賬。出售實體盈虧包括有關出售實體之商譽賬面值。

就減值測試而言，商譽乃分配至現金產生單位。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005

二零零五年十二月三十一日

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (k) Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the premium paid on acquisition in so far as it has not already been amortised to the income statement, less any identified impairment loss.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised loss provide evidence of an impairment of the asset transferred.

#### (l) Club memberships

Club memberships are stated at cost less any identified impairment loss.

#### (m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

#### (n) Film rights deposits

Licence fees paid in advance and/or by instalments during the production of films under licensing agreements for the reproduction and distribution of films and sub-licensing of film rights, in specific geographical areas and time periods, are accounted for as film rights deposits. The balance payable under the licensing agreement is disclosed as a commitment.

In those cases where the Group is unable to exercise its rights under a licensing agreement because the film producer fails to complete the film, the Group writes off the difference between the advances made and the estimated recoverable amount from the film producer.

### 2. 主要會計政策概要 (續)

#### (k) 聯營公司權益

綜合收益表包括年內本集團應佔聯營公司之收購後業績。聯營公司權益按本集團應佔聯營公司資產淨值，加收購時已支付之溢價（只要該溢價未於收益表內攤銷）減任何已識別減值虧損，在綜合資產負債表入賬。

倘本集團與其聯營公司進行交易，未變現溢利及虧損將予抵銷，惟以本公司於相關聯營公司之權益為限，倘未變現虧損提供已轉讓資產之減值證據則除外。

#### (l) 會所會籍

會所會籍乃按成本減任何已識別減值虧損入賬。

#### (m) 存貨

存貨按成本及可變現淨值兩者之較低者入賬。成本以先入先出法計算。

#### (n) 電影發行權按金

根據特許權協議在指定地區及時限內複製與發行電影之權利及轉授電影發行權而製作電影時預付及／或分期繳付之特許費用，均列作電影發行權按金。根據特許權協議而須繳付之未償還款項則列作承擔。

倘製片商未能完成電影，導致本集團無法根據特許權協議行使權利，則本集團將撇銷已預付之款項與估計可從製片商收回款項之差額。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005

二零零五年十二月三十一日

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (n) Film rights deposits (Continued)

When the Group decides not to exercise its rights under a particular licensing agreement after the licensor has fulfilled all the terms and conditions of a licensing agreement, all advances made under that licensing agreement will be written off to the income statement.

#### (o) Investments

Before adoption of the new HKFRSs, the Group classified the investment in securities into non-trading securities and trading securities except for the investment in subsidiaries, associates and jointly control entities.

##### (i) Non-trading securities

Investments which were held for non-trading purpose were stated at fair value at the balance sheet date. Change in the fair value of individual securities were credited or debited to the investment revaluation reserve until the securities was sold, or was determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, was dealt with the income statement.

When there was objective evidence that individual investments were impaired the cumulative loss recorded in the revaluation reserve to the income statement.

##### (iii) Trading securities

Trading securities were carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities were recognised in the income statements. Profits or losses on disposal of trading securities, representing the difference between the net sale proceeds and the carrying amounts, were recognised in the income statement as the arisen.

### 2. 主要會計政策概要 (續)

#### (n) 電影發行權按金 (續)

倘本集團在授權人達成所有特許權安排條款及條件後決定不行使個別特許權安排所賦予之權利，則所有根據該特許權安排預付之款項將從收益表撇銷。

#### (o) 投資

於採納新香港財務報告準則前，除附屬公司、聯營公司及共同控制實體投資外，本集團將其證券投資分類為非買賣證券與買賣證券。

##### (i) 非買賣證券

持作非買賣用途之投資按於結算日之公平值列賬。個別證券之公平值變動於投資重估儲備計入或扣除，直至證券出售或釐定出現減值為止。於出售後，累計盈虧指出售所得款項淨額與相關證券賬面值兩者之差額，連同轉撥自投資重估儲備之任何盈餘／虧絀，於收益表處理。

倘有客觀證據顯示個別投資出現減值，則於重估儲備記賬之累計虧損計入收益表。

##### (iii) 買賣證券

買賣證券按公平值列賬。於每個結算日，買賣證券公平值變動產生之未變現盈虧淨額於收益表確認。出售買賣證券之損益指出售所得款項淨額與賬面值兩者之差額，乃在產生時於收益表確認。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005

二零零五年十二月三十一日

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (o) Investments (Continued)

##### (ii) Trading securities (Continued)

From 1 January 2005 onward, the Group classifies its investment in the following categories depends on the purpose of such investment were acquired. Management determines the classification of its investments at initial recognition and re-evaluate this designation at every reporting date.

##### (1) Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

##### (2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loan and receivables included loan receivables, convertible notes receivables and trade receivables.

### 2. 主要會計政策概要 (續)

#### (o) 投資 (續)

##### (ii) 買賣證券 (續)

由二零零五年一月一日起，本集團將其投資分類為以下類別，分類視乎收購投資之目的而定。管理層在初步確認時釐定其投資之分類，並於每個報告日期重新評估有關指定分類。

##### (1) 按公平值計入損益表之金融資產

倘收購之主要目的為在短期內出售或倘須按管理層指定，則金融資產會撥歸此類別。倘此類別之資產乃持作買賣或預期將於結算日起12個月內變現，則分類為流動資產。

##### (2) 貸款及應收款項

貸款及應收款項為非衍生金融資產，具有固定或可決定金額，且並無在交投活躍之市場上報價。於本集團直接向債務人提供金錢、貨品或服務而無意買賣應收款項時，則產生貸款及應收款項。彼等計入流動資產內，惟不包括到期日為結算日後逾12個月者之款項（此等貸款及應收款項列作非流動資產）。貸款及應收款項包括應收貸款、應收可換股票據及貿易應收款項。



# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005

二零零五年十二月三十一日

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (o) Investments (Continued)

##### (ii) Trading securities (Continued)

###### (3) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

###### (4) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risk and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

### 2. 主要會計政策概要 (續)

#### (o) 投資 (續)

##### (ii) 買賣證券 (續)

###### (3) 持有至到期日之投資

持有至到期日之投資為非衍生金融資產，具有固定或可決定金額，固定到期日及本集團管理層持正面意向並具能力持有至到期日。年內，本集團並無持有此類別之任何投資。

###### (4) 可供出售之金融資產

可供出售之金融資產指獲指定該類別或並無分類為任何其他類別之非衍生工具。除非管理層擬於結算日後12個月內出售投資，否則該等資產乃列作非流動資產。

投資之買賣於交易日（指本集團承諾買賣該資產之日）確認。所有非按公平值計入損益表之金融資產之投資則按公平值加交易成本作初步確認。當從投資收取現金流量之權利屆滿或已轉讓，而本集團已將全部擁有權風險及回報大致轉讓時，投資將撤銷確認。可供出售之金融資產及按公平值計入損益表之金融資產其後按公平值列賬。貸款及應收款項及持有至到期日之投資按實際利率法以攤銷成本列賬。由於「按公平值計入損益表之金融資產」之公平值出現變動而導致之已變現及未變現盈虧於產生盈虧之期間列入收益表。由於非貨幣證券公平值變動而導致之未變現盈虧乃分類為可供出售並於股權中確認。當分類為可供出售之證券獲出售或出現減值時，累計公平值調整乃列入收益表成為投資證券之收益或虧損。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005

二零零五年十二月三十一日

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (o) Investments (Continued)

##### (ii) Trading securities (Continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement — is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

#### (p) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

### 2. 主要會計政策概要 (續)

#### (o) 投資 (續)

##### (ii) 買賣證券 (續)

報價投資之公平值乃根據當時實盤價計算。倘金融資產（及非上市證券）之市場並不活躍，則本集團利用估值方法設定公平值。有關估值方法包括採用最近之公平磋商交易、參考大致相同之其他工具、採用貼現現金流量分析及已調整以反映發行人個別情況之購股權價格模型。

本集團於每個結算日評估是否有客觀證據顯示一項金融資產或一組金融資產出現減值。於股本證券獲分類為可供出售之情況下，在釐定證券是否出現減值時，會考慮證券公平值有否大幅或長期下跌至低於其成本。倘可供出售之金融資產存在任何該等證據，則累計虧損（按收購成本與現行公平值之差額，減該項金融資產以往於收益表確認之任何減值虧損計算）會自股權中剔除並於收益表中確認。就股本工具於收益表確認之減值虧損並無於收益表撥回。

#### (p) 貿易及其他應收款項

貿易及其他應收款項初步以公平值確認，其後則利用實際利率法按攤銷成本除減值撥備計量。倘有客觀證據顯示本集團將無法按應收款項之原有條款收回所有款項，即就貿易及其他應收款項設定減值撥備。撥備金額為資產賬面值與按實際利率貼現之估計未來現金流量之現值兩者之差額。撥備金額於收益表確認。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005

二零零五年十二月三十一日

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (q) Cash and cash equivalent

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

#### (r) Provision

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

#### (s) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

### 2. 主要會計政策概要 (續)

#### (q) 現金及等同現金項目

現金及等同現金項目包括手頭現金、銀行通知存款、原到期日為三個月或以下之其他短期高流動性投資，以及銀行透支。銀行透支在資產負債表之流動負債內借貸中列示。

#### (r) 撥備

在出現以下情況時，就環境復修、重建費用及法律索償作出撥備：本集團因已發生之事件而產生現有法律或推定責任；較可能需要有資源流出以償付責任，金額已經可靠估計。重建撥備包括租賃終止罰款及僱員離職付款。概不就未來經營虧損確認撥備。

倘有多項類似責任，則其需要在償付中流出資源之可能性，根據責任之類別整體考慮。即使在同一責任類別所包含之任何一個項目相關之資源流出之可能性極低，仍須確認撥備。

#### (s) 借貸

借貸初步按公平值並扣除產生之交易成本確認。交易成本為收購、發行或出售某項金融資產或金融負債直接所佔之新增成本，包括支付予代理人、顧問、經紀及交易商之費用及佣金、監管機關及證券交易所之徵費，以及過戶及印花稅。借貸其後按攤銷成本列賬，所得款項(扣除交易成本)與贖回價值兩者之任何差額採用實際利率法於借貸期間內在收益表確認。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005

二零零五年十二月三十一日

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (t) Deferred income

Deferred income represents unrealised profit arising from the delivery of master materials in respect of the sub-licensing of film rights to an associate under the sub-licensing agreement. Unrealised profit arising from delivery of master materials will be recognised by the Group when the cost of the relevant portion of film rights has been charged to the associate's income statement.

#### (u) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at the lower of fair values or the present value of the minimum lease payments. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

#### (v) Foreign currencies

Transactions in foreign currencies are initially recorded at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

### 2. 主要會計政策概要 (續)

#### (t) 遞延收入

遞延收入指根據轉授發行權協議向聯營公司就轉授電影發行權而付運電影母帶材料時所產生之未變現溢利。本集團將於聯營公司收益表扣除電影發行權有關部份之成本後，確認付運電影母帶材料時所產生之未變現溢利。

#### (u) 租賃資產

凡於租期內資產擁有權之絕大部份風險及回報轉移往本集團之租約，均列作融資租約。根據融資租約持有之資產按最低租金之公平值或現值(以較低者為準)撥充資本。向出租人履行之有關責任(已扣除有關利息支出)於資產負債表內列作融資租約承擔。融資費用將按有關租期自收益表扣除，以定期定額扣除出每個會計期間之承擔餘額。

所有其他租約均列作經營租約，而年度租金以直線法按有關租期自收益表扣除。

#### (v) 外幣

外幣交易先按交易日期之適用匯率換算。以外幣計算之貨幣資產及負債按結算日之適用匯率重新換算。匯兌損益計入本年度溢利或虧損淨額。

於綜合賬目時，本集團於香港以外地區之業務之資產及負債按結算日之適用匯率換算。收支項目按本年度平均匯率換算。因此產生之匯兌差額(如有)分類為股權，並撥入本集團之匯兌儲備。該等換算差額乃於出售業務之年度確認為收入或支出。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005

二零零五年十二月三十一日

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (w) Employee benefits

##### (i) Bonuses

The Group recognises a liability for bonuses when there is a contractual obligation and the amount can be estimated reliably.

##### (ii) Retirement benefit obligations

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% to 10% of the employees' relevant income, with the employees' contributions subject to a cap of monthly relevant income of HK\$20,000. The Group's contributions to the scheme are expensed as incurred. 5% of relevant income vests immediately upon the completion of service in the relevant service period, while the remaining portion vests in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

##### (iii) Share-based compensation

The fair value of the employee services received in exchange for the grant of the share options and restricted share awards is recognised as an expense in the profit and loss account.

### 2. 主要會計政策概要 (續)

#### (w) 僱員福利

##### (i) 花紅

本集團於有合約責任及金額能夠可靠地估計時就花紅確認負債。

##### (ii) 退休福利責任

本集團為根據香港強制性公積金計劃條例安排所有按香港僱傭條例聘用之僱員參與強制性公積金計劃(「強積金計劃」)。強積金計劃為定額供款計劃，其資產由獨立信託管理基金持有。

根據強積金計劃，僱主及其僱員均須按僱員相關收入之5%至10%向計劃作出供款，而僱員供款以每月相關收入20,000港元為上限。本集團向計劃作出之供款於產生時支銷。相關收入之5%於相關服務期間服務完成時即時歸屬僱員，而其餘部份乃根據計劃之應享比例歸屬僱員。倘僱員於僱主供款全數歸屬前退出計劃，沒收之供款金額將用作扣減本集團之應付供款。

##### (iii) 以股份形式支付之薪酬

授予購股權及有限制股份獎勵所換取之僱員服務之公平值於損益表確認為支出。



# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005

二零零五年十二月三十一日

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (w) Employee benefits (Continued)

##### (iii) Share-based compensation (Continued)

The total amount to be expensed over the vesting period is determined with reference to the fair value of the share options and restricted share awards granted. At each balance sheet date, the Company revises its estimates of the number of share options that are expected to become exercisable and the number of restricted share awards that become vested. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to equity in the balance sheet will be made over the remaining vesting periods.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium accounts when the share options are exercised and when the restricted share awards are vested.

Share options granted under the Company's share option scheme are not expensed as the options were all vested and not subject to requirements of HKFRS 2.

#### (x) Related parties transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influences. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

### 2. 主要會計政策概要 (續)

#### (w) 僱員福利 (續)

##### (iii) 以股份形式支付之薪酬

於歸屬期內列作支出之總金額乃參照已授予之購股權及有限制股份獎勵之公平值釐定。於每個結算日，本公司會修訂其估計預期可予以行使之購股權數目及預期可予歸屬之有限制股份獎勵數目，並於損益表內確認修訂原估計數字（如有）之影響及在餘下歸屬期間對資產負債表之股權作相應調整。

當購股權獲行使時及有限制股份獎勵已歸屬時，所收取之款項於扣除任何直接應佔之交易成本後計入股本及股份溢價內。

根據本公司之購股權計劃授出之購股權均不會支銷，原因為該等購股權均已歸屬，且毋須遵守香港財務報告準則第2號之規定。

#### (x) 關連人士交易

倘一方有能力直接或間接控制另一方，或於作出財務及營運決定時發揮重大影響力，則雙方被視為有關連。倘彼等受共同控制或共同重大影響，則亦被視為有關連。倘資源或責任於關連人士間轉移，則該項交易被視為關連人士交易。



# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005

二零零五年十二月三十一日

### 3. FINANCIAL RISK MANAGEMENT

#### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

##### (a) Market risk

###### *Currency risk*

The Group's sales are primarily in Hong Kong Dollars and Renminbi and its purchases are denominated primarily in Hong Kong Dollars. As its sales and purchases are denominated in Hong Kong Dollars and Renminbi, the Group considers there is no material currency risk and the Group do not have any formal hedging policy.

In July 2005, The People's Bank of China announced the introduction of a regulated, managed floating exchange rate system in the PRC based on market supply and demand and with reference to a basket of currencies. Removal of the peg to the United States Dollar allowed more flexibility for the exchange rate system of Renminbi. As a result, the exchange rate between United States Dollar and Renminbi was adjusted from US\$1: RMB8.27 to US\$1: RMB8.11. The Group believes that such appreciation of Renminbi does not have any adverse effect on the current operating results and financial position of the Group.

###### *Price risk*

The Group has financial assets at fair value through profit and loss which are exposed to equity securities price risk.

##### (b) Credit risk

The Group has policies in place to ensure that distribution of films and sub-licensing of film rights to customers with an appropriate credit history. The Group also performs periodic credit evaluations of its customers and believes that adequate impairment loss on provision of bad and doubtful debts has been made in the financial statements.

### 3. 財務風險管理

#### 3.1 財務風險因素

本集團之活動承受多種財務風險：市場風險（包括貨幣風險及價格風險）、信貸風險、流動資金風險及利率風險。本集團之整體風險管理計劃專注於財務市場之難預測性，務求盡量減低對本集團財務表現之潛在不利影響。

##### (a) 市場風險

###### *貨幣風險*

本集團之銷售主要以港元及人民幣為單位，而其採購則主要以港元為單位。由於本集團之銷售及採購均以港元及人民幣為單位，故其認為並無重大貨幣風險，而本集團亦無任何正式對沖政策。

於二零零五年七月，中國人民銀行公佈於中國推出一項受規管及管理之浮動匯率機制，該機制以市場供求為基礎，並參考一籃子貨幣。解除與美元掛鈎讓人民幣浮動匯率機制更具靈活性。因此，美元兌人民幣之匯率由1美元兌人民幣8.27元調整為1美元兌人民幣8.11元。本集團相信，有關人民幣升值並不會對本集團目前之經營業績及財務狀況構成任何不利影響。

###### *價格風險*

本集團之按公平值計入損益表之金融資產面對股本證券之價格風險。

##### (b) 信貸風險

本集團現行之政策乃為確保向具有妥善信貸紀錄之客戶發行電影及轉授電影發行權。本集團亦對其客戶進行定期信貸評估，並相信已於財務報表就呆壞賬撥備作出足夠減值虧損。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005

二零零五年十二月三十一日

### 3. FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### (c) Liquidity risk

The Group's principal uses of cash have been for capital expenditure and operational requirements such as purchase of film rights, investments in financial assets and meeting its operating expenses.

The Group finances its operations through cash generated from operations, the issuance of new shares and a one-year loan granted by China Star. At 31 December 2005, the cash and bank balances of the Group amounted to HK\$137,973,000 and its current ratio was 3.43.

The directors believe that cash generated from operations and cash and bank balances in hand will be sufficient to meet the Group's operating cashflow.

##### (d) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets.

#### 3.2 Fair value estimation

The carrying amounts of the Group's financial assets, including cash and bank balances, trade receivables, deposits, prepayments and other receivables, and financial liabilities, including trade payables, other payables, accruals and amounts due to related companies, approximate their fair values due to their short maturities. The face values less any credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

### 3. 財務風險管理 (續)

#### 3.1 財務風險因素 (續)

##### (c) 流動資金風險

本集團主要在資本開支及經營需求方面使用現金，該等開支及需求包括購買電影發行權、金融資產之投資及應付其經營開支。

本集團透過經營業務所產生之現金、發行新股份及中國星授出之一年期貸款為其經營業務提供資金。於二零零五年十二月三十一日，本集團之現金及銀行結存為137,973,000港元，而流動比率為3.43。

董事相信，經營業務所產生之現金以及手頭現金及銀行結存將足以應付本集團之經營現金流量。

##### (d) 利率風險

由於本集團並無重大計息資產，故本集團之收入及經營現金流量大致上不受市場利率變動之影響。

#### 3.2 公平值估計

本集團金融資產(包括現金及銀行結存、貿易應收款項、按金、預付款項及其他應收款項)及金融負債(包括貿易應付款項、其他應付款項、應計費用及應付關連公司款項)之賬面值因其於短期內到期，故與其公平值相若。到期日為少於一年之金融資產及負債之面值減該等資產及負債之任何信貸調整乃假設為與其公平值相若。

供披露之金融負債公平值乃按本集團同類金融工具現時之市場利率折現未來合約現金流量而估計。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005

二零零五年十二月三十一日

### 3. FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 Fair value estimation (Continued)

In assessing the fair value of financial instruments traded in active markets (such as financial assets at fair value through profit and loss) is based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the Group are the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, available-for-sale financial assets) is determined by using valuation techniques. The Group uses a variety of methods, such as estimated discounted value of future cash flows, and makes assumptions that are based on market conditions existing at each balance sheet date.

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are discussed below.

#### (a) Estimated impairment of film rights

The Group tests annually whether film rights have suffered any impairment in accordance with accounting policies stated in note 2 (c) to the financial statements. The recoverable amount of film rights has been determined based on value-in-use calculations using cash flow projection based on financial budgets approved by senior management covering a four-year period. The discount rate applied to cash flow projection is 20%.

### 3. 財務風險管理 (續)

#### 3.2 公平值估計 (續)

在評估於交投活躍市場上買賣之金融工具(如按公平值計入損益表之金融資產)之公平值時，乃根據於結算日之市場報價。用於本集團持有之金融資產之市場報價乃現時之買入價。

並無於交投活躍市場上報價之金融工具(如可供出售之金融資產)之公平值乃採用估值法釐定。本集團採用估計未來現金流量之折現價值等多種方法，並根據於各結算日之市況作出假設。

### 4. 關鍵會計估計及判斷

估算及判斷會被持續評估，並根據過往經驗及其他因素進行評估，包括在有關情況下相信為合理之對未來事件之預測。

本集團對未來作出估計及假設。所得之會計估計如其定義，很少會與其實際結果相同。很大機會導致下個財政年度之資產與負債之賬面值作出重大調整之估計及假設討論如下。

#### (a) 電影發行權之估計減值

本集團每年均按照財務報表附註2(c)所述之會計政策，對電影發行權是否出現任何減值進行測試。電影發行權之可收回金額乃按使用價值計算。使用價值計算方法採用高級管理層所通過之四年期財政預算為依據計算之現金流量預測釐定。現金流量預測所用之貼現率為20%。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

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### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

#### (b) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with accounting policies stated in note 2 (c) to the financial statements. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations using cash flow projections based on financial budgets approved by senior management covering a period of eight to ten years. The discount rate applied to cash flow projections is 17%.

#### (c) Trade debtors

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the income statement. Changes in the collectibility of trade receivables for which provisions are not made could affect our results of operations.

#### (d) Useful lives of fixed assets

In accordance with HKAS 16, the Group estimates the useful lives of fixed assets in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

### 4. 關鍵會計估計及判斷 (續)

#### (b) 商譽之估計減值

本集團每年均按照財務報表附註2(c)所述之會計政策，對商譽是否出現任何減值進行測試。現金產生單位之可收回金額乃按使用價值計算。使用價值計算方法採用高級管理層所通過之八至十年期財政預算為依據計算之現金流量預測釐定。現金流量預測所用之貼現率為17%。

#### (c) 貿易應收賬款

本集團定期檢討貿易應收賬款之賬齡，以確保可收回貿易應收賬款餘額，並可於協定信貸期逾期後即時採取跟進行動。然而，本集團收賬不時會出現延誤。倘貿易應收賬款餘額之可收回機會存疑，則本集團會根據客戶之信貸狀況、貿易應收賬款餘額之賬齡分析及撇賬紀錄，作出特別呆壞賬撥備。若干應收款項可初步確認為可收回，惟其後可能無法收回而須於收益表內撇銷相關應收款項。倘未有為收回機會出現變化之貿易應收賬款作出撥備，則可能會對未來之營運業績構成影響。

#### (d) 固定資產之可使用年期

本集團根據香港會計準則第16號估計固定資產之可使用年期，從而判斷所須記賬之折舊費用金額。本集團於購入資產時，根據過往經驗、資產之預期使用量、損耗程度，以及技術會否因市場需求或有變而變成過時，估計其可使用年期。本集團亦會於每年作出檢討，以判斷對資產可使用年期作出之假設是否仍然合理。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

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### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS

#### Business segments

For management purposes, the Group is currently organised into three operating divisions, namely distribution, sub-licensing and investments in securities. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Distribution	Distribution of films
Sub-licensing	Sub-licensing of film rights
Investments in securities	Investments in listed and unlisted equity securities

Segment information about these businesses for the years ended 31 December 2005 and 2004 is presented below.

*Consolidated income statement for the year ended 31 December 2005*

### 5. 業務及地區分部

#### 業務分部

就管理而言，本集團現時分為發行、轉授發行權及證券投資三個營運部門。本集團乃根據該等部門呈報主要分部資料。

主要業務如下：

發行	發行電影
轉授發行權	轉授電影發行權
證券投資	上市及非上市股本證券投資

截至二零零五年及二零零四年十二月三十一日止年度有關該等業務之分部資料呈報如下。

截至二零零五年十二月三十一日止年度之綜合收益表

		Distribution 發行 HK\$'000 千港元	Sub-licensing 轉授發行權 HK\$'000 千港元	Investments in securities 證券投資 HK\$'000 千港元	Consolidated 綜合 HK\$'000 千港元
Turnover	營業額	9,382	10,534	18,423	38,339
Segment profit/(loss) before impairment losses recognised in respect of film rights and goodwill	已確認電影發行權及商譽之減值虧損前之分部溢利／(虧損)	2,443	(4,613)	(2,045)	(4,215)
Impairment loss recognised in respect of film rights	已確認電影發行權減值虧損	(8,956)	—	—	(8,956)
Impairment loss recognised in respect of goodwill	已確認商譽減值虧損	—	(12,056)	—	(12,056)
Segment loss	分部虧損	(6,513)	(16,669)	(2,045)	(25,227)
Unallocated corporate income	未分配集團收入				9,176
Unallocated corporate expenses	未分配集團開支				(13,273)
Loss from operations	經營虧損				(29,324)
Finance costs	融資費用				(340)
Loss before taxation	除稅前虧損				(29,664)
Taxation charge	稅項支出				—
Net loss for the year attributable to equity holders of the Company	本年度本公司股權持有人應佔虧損淨額				(29,664)

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005  
二零零五年十二月三十一日

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Business segments (Continued)

Consolidated balance sheet for the year ended 31 December 2005

		Distribution 發行 HK\$'000 千港元	Sub-licensing 轉授發行權 HK\$'000 千港元	Investments in securities 證券投資 HK\$'000 千港元	Consolidated 綜合 HK\$'000 千港元
<b>Assets</b>	<b>資產</b>				
Segment assets	分部資產	4,582	4,729	41,869	51,180
Unallocated corporate assets	未分配集團資產				184,047
Consolidated total assets	綜合資產總值				235,227
<b>Liabilities</b>	<b>負債</b>				
Segment liabilities	分部負債	2,439	6,172	—	8,611
Unallocated corporate liabilities	未分配集團負債				59,006
Consolidated total liabilities	綜合負債總額				67,617

Other information for the year ended 31 December 2005

### 5. 業務及地區分部 (續)

#### 業務分部 (續)

於二零零五年十二月三十一日之綜合資產負債表

截至二零零五年十二月三十一日止年度之其他資料

		Distribution 發行 HK\$'000 千港元	Sub-licensing 轉授發行權 HK\$'000 千港元	Investments in securities 證券投資 HK\$'000 千港元	Unallocated 未分配 HK\$'000 千港元	Consolidated 綜合 HK\$'000 千港元
Additions of film rights	添置電影發行權	3,600	5,347	—	—	8,947
Depreciation and amortisation	折舊及攤銷	3,246	7,086	1,108	10	11,450
Impairment losses recognised	已確認減值虧損	1,661	8,483	12,056	—	22,200



# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005  
二零零五年十二月三十一日

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Business segments (Continued)

Consolidated income statement for the year ended 31 December 2004

### 5. 業務及地區分部 (續)

#### 業務分部 (續)

於二零零四年十二月三十一日之綜合資產負債表

		Distribution 發行 HK\$'000 千港元	Sub-licensing 轉授發行權 HK\$'000 千港元	Investments in securities 證券投資 HK\$'000 千港元	Consolidated 綜合 HK\$'000 千港元 (restated) (重列)
Turnover	營業額	27,285	16,319	14,778	58,382
Segment loss before amortisation of other asset, impairment losses recognised in respect of film rights, other asset, goodwill and available-for-sale financial assets and allowance for advances to an associate	其他資產攤銷、已確認電影發行權、其他資產、商譽及可供出售之金融資產之減值虧損及墊付聯營公司款項撥備前之分部虧損	(3,222)	(216)	(1,460)	(4,898)
Amortisation of other asset	其他資產攤銷	—	(6,644)	—	(6,644)
Allowance for advances to an associate	墊付聯營公司款項撥備	—	(138,531)	—	(138,531)
Impairment loss recognised in respect of film rights	已確認電影發行權減值虧損	(980)	(15,233)	—	(16,213)
Impairment loss recognised in respect of other asset	已確認其他資產減值虧損	—	(46,512)	—	(46,512)
Impairment loss recognised in respect of goodwill	已確認商譽減值虧損	(20,000)	(8,072)	—	(28,072)
Impairment loss recognised in respect of available-for-sale financial assets	已確認可供出售之金融資產減值虧損	—	—	(12,000)	(12,000)
Segment loss	分部虧損	(24,202)	(215,208)	(13,460)	(252,870)
Unallocated corporate income	未分配集團收入				390
Unallocated corporate expenses	未分配集團開支				(15,250)
Loss from operations	經營虧損				(267,730)
Finance costs	融資費用				(340)
Loss before taxation	除稅前虧損				(268,070)
Taxation charge	稅項支出				(277)
Net loss for the year attributable to equity holders of the Company	本年度本公司股權持有人應佔虧損淨額				(268,347)

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

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二零零五年十二月三十一日

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Business segments (Continued)

Consolidated balance sheet for the year ended 31 December 2004

		Distribution 發行 HK\$'000 千港元	Sub-licensing 轉授發行權 HK\$'000 千港元	Investments in securities 證券投資 HK\$'000 千港元	Unallocated 未分配 HK\$'000 千港元	Consolidated 綜合 HK\$'000 千港元 (restated) (重列)
<b>Assets</b>	<b>資產</b>					
Segment assets	分部資產	22,974	25,192	59,732	2,108	110,006
Unallocated corporate assets	未分配集團資產					22,875
Consolidated total assets	綜合資產總值					132,881
<b>Liabilities</b>	<b>負債</b>					
Segment liabilities	分部負債	1,254	5,057	—	—	6,311
Unallocated corporate liabilities	未分配集團負債					57,999
Consolidated total liabilities	綜合負債總額					64,310

Other information for the year ended 31 December 2004

### 5. 業務及地區分部 (續)

#### 業務分部 (續)

於二零零四年十二月三十一日之綜合資產負債表

截至二零零四年十二月三十一日止年度之其他資料

		Distribution 發行 HK\$'000 千港元	Sub-licensing 轉授發行權 HK\$'000 千港元	Investments in securities 證券投資 HK\$'000 千港元	Unallocated 未分配 HK\$'000 千港元	Consolidated 綜合 HK\$'000 千港元 (restated) (重列)
Additions of property, plant and equipment	添置物業、廠房及設備	54	5	—	40	99
Additions of film rights	添置電影發行權	13,358	4,970	—	—	18,328
Allowance for inventory obsolescence	陳舊存貨撥備	917	—	—	—	917
Allowance for film rights deposits	電影發行權按金撥備	1,000	—	—	—	1,000
Allowance for advances to an associate	墊付聯營公司款項撥備	—	138,531	—	—	138,531
Depreciation and amortisation	折舊及攤銷	10,270	18,905	—	615	29,790
Impairment loss on provision of bad and doubtful debts	呆壞賬撥備減值虧損	147	1,445	—	56	1,648
Impairment losses recognised	已確認減值虧損	20,980	69,817	12,000	—	102,797

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### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Geographical segments

The Group's operations are substantially located in Hong Kong and Macau. Thus, no geographical analysis for the carrying amounts of segment assets and additions to property, plant and equipment and intangible assets is presented.

The following table provides an analysis of the Group's sales by location of markets:

	Hong Kong 香港		PRC 中國		Others 其他		Consolidated 綜合	
	2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Segment revenue: 分部收益:								
Sales to external customers 銷售予對外客戶	18,892	15,978	19,447	42,404	—	—	38,339	58,382
Other revenue 其他收益	2,066	390	—	—	—	—	2,066	390
Other income 其他收入	7,110	—	—	—	—	—	7,110	—
	<b>28,068</b>	<b>16,368</b>	<b>19,447</b>	<b>42,404</b>	<b>—</b>	<b>—</b>	<b>47,515</b>	<b>58,772</b>

### 5. 業務及地區分部 (續)

#### 地區分部

本集團之業務主要位於香港及澳門，因此並無呈列按地區分析之分部資產賬面值以及物業、廠房及設備和無形資產之添置。

下表為本集團按市場劃分之銷售額分析：

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## 財務報表附註

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### 6. PROPERTY, PLANT AND EQUIPMENT

#### The Group

		Buildings 樓宇 HK\$'000 千港元 (restated) (重列)	Leasehold improvements 租賃 物業裝修 HK\$'000 千港元	Office equipment 辦公室設備 HK\$'000 千港元	Motor vehicles 汽車 HK\$'000 千港元	Furniture and fixtures 傢俬及裝置 HK\$'000 千港元	Total 總計 HK\$'000 千港元 (restated) (重列)
<b>Cost/revaluation</b>	<b>成本／估值</b>						
At 1 January 2004	於二零零四年一月一日	5,930	2,136	3,971	1,633	2,116	15,786
Effect on adoption of HKAS 17	採納香港會計準則 第17號之影響	(3,084)	—	—	—	—	(3,084)
As restated at 1 January 2004	於二零零四年一月一日 (重列)	2,846	2,136	3,971	1,633	2,116	12,702
Additions	添置	—	—	87	—	12	99
Surplus on revaluation	重估盈餘	1,440	—	—	—	—	1,440
Effect on adoption of HKAS 17	採納香港會計準則 第17號之影響	(749)	—	—	—	—	(749)
At 31 December 2004 and at 1 January 2005	於二零零四年 十二月三十一日及 二零零五年一月一日	3,537	2,136	4,058	1,633	2,128	13,492
Additions	添置	—	39	14	—	—	53
Disposals	出售	(3,537)	—	(1)	—	—	(3,538)
<b>At 31 December 2005</b>	<b>於二零零五年 十二月三十一日</b>	<b>—</b>	<b>2,175</b>	<b>4,071</b>	<b>1,633</b>	<b>2,128</b>	<b>10,007</b>
<b>Accumulated depreciation</b>	<b>累計折舊</b>						
At 1 January 2004	於二零零四年一月一日	—	1,290	1,990	312	765	4,357
Charged for the year	本年度費用	56	282	410	264	204	1,216
Written back on revaluation	重估時撥回	(56)	—	—	—	—	(56)
At 31 December 2004 and at 1 January 2005	於二零零四年 十二月三十一日及 二零零五年一月一日	—	1,572	2,400	576	969	5,517
Charged for the year	本年度費用	35	385	310	211	167	1,108
Written back on disposals	重估時撥回	(35)	—	(1)	—	—	(36)
<b>At 31 December 2005</b>	<b>於二零零五年 十二月三十一日</b>	<b>—</b>	<b>1,957</b>	<b>2,709</b>	<b>787</b>	<b>1,136</b>	<b>6,589</b>
<b>Net book value</b>	<b>賬面淨值</b>						
At 31 December 2005	於二零零五年 十二月三十一日	—	218	1,362	846	992	3,418
At 31 December 2004	於二零零四年 十二月三十一日	3,537	564	1,658	1,057	1,159	7,975

There was no asset held under finance lease at 31 December 2005 (2004: HK\$42,000).

### 6. 物業、廠房及設備

#### 本集團

於二零零五年十二月三十一日，本集團並無融資租約持有之資產（二零零四年：42,000港元）。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005 (in HK Dollars)  
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### 7. INTERESTS IN LEASEHOLD LAND

The Group's interests in leasehold land represented prepaid operating lease payments in respect of leasehold land in Hong Kong under long-term leases.

### 7. 租賃土地權益

本集團之租賃土地權益及土地使用權指有關按長期租約之香港租賃土地之預付經營租約租金。

		The Group 本集團 HK\$'000 千港元 (restated) (重列)
<b>Cost</b>	<b>成本</b>	
At 1 January 2004	於二零零四年一月一日	—
Effect of adopting HKAS 17	採納香港會計準則第17號之影響	1,932
At 31 December 2004 and 1 January 2005	於二零零四年十二月三十一日及 二零零五年一月一日	1,932
Disposals	出售	(1,932)
<b>At 31 December 2005</b>	<b>於二零零五年十二月三十一日</b>	<b>—</b>
<b>Accumulated Amortisation</b>	<b>累計攤銷</b>	
At 1 January 2004	於二零零四年一月一日	332
Amortisation of prepaid operating lease payments	預付經營租約租金攤銷	20
At 31 December 2004 and 1 January 2005	於二零零四年十二月三十一日及 二零零五年一月一日	352
Amortisation of prepaid operating lease payments	預付經營租約租金攤銷	10
Written back on disposals	出售時撥回	(362)
<b>At 31 December 2005</b>	<b>於二零零五年十二月三十一日</b>	<b>—</b>
<b>Net book value</b>	<b>賬面淨值</b>	
At 31 December 2005	於二零零五年十二月三十一日	—
At 31 December 2004	於二零零四年十二月三十一日	1,580

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005 (in HK Dollars)  
二零零五年十二月三十一日 (港元)

### 8. FILM RIGHTS

### 8. 電影發行權

The Group  
本集團  
HK\$'000  
千港元

<b>Cost</b>	<b>成本</b>	
At 1 January 2004	於二零零四年一月一日	163,682
Additions	添置	18,328
At 31 December 2004 and 1 January 2005	於二零零四年十二月三十一日及 二零零五年一月一日	182,010
Additions	添置	8,947
<b>At 31 December 2005</b>	<b>於二零零五年十二月三十一日</b>	<b>190,957</b>
<b>Amortisation and impairment</b>	<b>攤銷及減值</b>	
At 1 January 2004	於二零零四年一月一日	137,562
Charged for the year	本年度費用	17,894
Impairment loss recognised	已確認減值虧損	16,213
At 31 December 2004 and 1 January 2005	於二零零四年十二月三十一日及 二零零五年一月一日	171,669
Charged for the year	本年度費用	10,332
Impairment loss recognised	已確認減值虧損	8,956
<b>At 31 December 2005</b>	<b>於二零零五年十二月三十一日</b>	<b>190,957</b>
<b>Carrying amounts</b>	<b>賬面值</b>	
<b>At 31 December 2005</b>	<b>於二零零五年十二月三十一日</b>	<b>—</b>
At 31 December 2004	於二零零四年十二月三十一日	10,341



# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005 (in HK Dollars)  
二零零五年十二月三十一日(港元)

### 8. FILM RIGHTS (Continued)

		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Analysed as:	分析為：		
Non-current portion	非即期部份	—	9,236
Current portion	即期部份	—	1,105
		—	10,341

The directors reassessed the recoverable amount of the film rights at 31 December 2005 and recognised a total impairment loss of approximately HK\$8,956,000, which was determined with reference to the estimated amount obtainable from the sale of these assets less cost of disposal.

### 8. 電影發行權 (續)

董事於二零零五年十二月三十一日重估電影發行權之可收回金額並確認合共約8,956,000港元之減值虧損，乃參考出售該等資產減出售成本所得之估計金額而釐定。

### 9. INTERESTS IN SUBSIDIARIES

		The Company 本公司 2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Unlisted shares, at cost	非上市股份，按成本	83,553	83,553
Less: Impairment loss recognised	減：已確認減值虧損	(83,553)	—
		—	83,553
Amounts due from subsidiaries	應收附屬公司款項	249,304	255,472
Less: Impairment loss on provision of amounts due from subsidiaries	減：應收附屬公司款項撥備減值虧損	(249,304)	(243,000)
		—	96,025

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, the amount will not be repaid in the next twelve months.

### 9. 附屬公司權益

應收附屬公司款項為無抵押、免息及無固定還款期。董事認為，該款額將不會於未來十二個月償還。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005 (in HK Dollars)  
二零零五年十二月三十一日 (港元)

### 9. INTERESTS IN SUBSIDIARIES (Continued)

Details of the Company's principal subsidiaries at 31 December 2005 are set as follows:

### 9. 附屬公司權益 (續)

本公司之主要附屬公司於二零零五年十二月三十一日之詳情如下：

Name of subsidiary 附屬公司名稱	Country/place of incorporation 註冊成立 國家／地點	Particulars of issued share capital 已發行 股本詳情	Principal activities and place of operation 主要業務及營業地點
Bluelagoon Investment Holdings Limited	British Virgin Islands 英屬處女群島	1 ordinary share of US\$1 1股面值 1美元之普通股	Investment holding, distribution of films and sub-licensing of film rights in the PRC 於中國投資控股、發行電影、 轉授電影發行權及銷售 廣告權
Dragon Leader Limited	British Virgin Islands 英屬處女群島	1 ordinary share of US\$1 1股面值1美元之普通股	Investment holdings in Hong Kong 於香港投資控股
Gainful Fortune Limited	British Virgin Islands 英屬處女群島	160,000,100 ordinary shares of HK\$1 each 16,000,100股每股面值 1港元之普通股	Holding of film rights outside Hong Kong 於香港以外地區持有電影發行權
Legend Rich Limited	British Virgin Islands 英屬處女群島	1 ordinary share of US\$1 1股面值 1美元之普通股	Distribution of video products in the PRC through a PRC agent 透過中國代理商於中國 發行影視產品
Ocean Shores Licensing Limited	British Virgin Islands 英屬處女群島	10,000 ordinary shares of US\$1 each 10,000股每股面值 1美元之普通股	Holding of film rights outside Hong Kong 於香港以外地區持有電影發行權
Riche Advertising Limited	British Virgin Islands 英屬處女群島	1 ordinary share of US\$1 1股面值 1美元之普通股	Investments in securities in Hong Kong 於香港投資證券
Riche (BVI) Limited	British Virgin Islands 英屬處女群島	1,000 ordinary shares of US\$1 each 1,000股每股面值 1美元之普通股	Investment holding in Hong Kong 於香港投資控股
Riche Distribution Limited 豐采發行有限公司	Hong Kong 香港	1,000,000 ordinary shares of HK\$1 each 1,000,000股每股 面值1港元之 普通股	Sub-licensing of film rights and investments in securities in Hong Kong 於香港轉授電影發行權及 投資證券

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005 (in HK Dollars)  
二零零五年十二月三十一日(港元)

### 9. INTERESTS IN SUBSIDIARIES (Continued)

### 9. 附屬公司權益(續)

Name of subsidiary 附屬公司名稱	Country/place of incorporation 註冊成立 國家／地點	Particulars of issued share capital 已發行 股本詳情	Principal activities and place of operation 主要業務及營業地點
Riche International (Macao Commercial Offshore) Limited 豐采國際(澳門離岸 商業服務)有限公司	Macau 澳門	1 share of MOP100,000 1股面值澳門幣 100,000元之股份	Distribution of films and sub-licensing of film rights in the PRC 於中國發行電影及轉授 電影發行權
Riche Multi-Media Limited 豐采多媒體有限公司	Hong Kong 香港	2 ordinary shares of HK\$1 each 2股每股面值 1港元之普通股	Distribution of films and other video features in the PRC 於中國發行電影及 其他影視特輯
Riche Pictures Limited 豐采影畫有限公司	British Virgin Islands 英屬處女群島	1 ordinary share of US\$1 1股面值 1美元之普通股	Investment holding in Hong Kong 於香港投資控股
Riche Video Limited 豐采錄影有限公司	Hong Kong 香港	10 ordinary share of HK\$100 each 20,000 non-voting deferred shares of HK\$100 each* 10股每股面值 100港元之普通股及 20,000股每股面值 100港元之無投票權 遞延股份*	Distribution of video products in Hong Kong 於香港發行影視產品
World East Investments Limited	British Virgin Islands 英屬處女群島	1 ordinary share of US\$1 1股面值 1美元之普通股	Distribution of films and sub-licensing of film rights in the PRC through a PRC agent 透過中國代理商於中國發行 電影及轉授電影發行權

\* The non-voting deferred shares, which are not held by the Group, carry practically no rights to dividends nor to receive notice of nor to attend or vote at any general meeting of the relevant company nor to participate in any distribution on winding up.

The Company directly holds the interest in Riche (BVI) Limited. All other subsidiaries are indirectly held by the Company.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

\* 該等無投票權遞延股份實際並無權利分享股息、接收任何有關公司股東大會之通告、出席該等大會或在會上投票之權利，在清盤時亦不可享有任何分派。

本公司直接持有 Riche (BVI) Limited 之權益。所有其他附屬公司均由本公司間接持有。

各附屬公司於年結時或本年度任何時間均無任何尚未贖回之債務證券。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005 (in HK Dollars)  
二零零五年十二月三十一日 (港元)

### 10. GOODWILL

### 10. 商譽

The Group  
本集團  
HK\$'000  
千港元

<b>Cost</b>	<b>成本</b>	
At 1 January 2004 and 31 December 2004	於二零零四年一月一日及 二零零四年十二月三十一日	39,530
Elimination of goodwill on adoption of HKFRS 3	採納香港財務報告準則第3號時 撤銷商譽	(7,058)
Acquisition of a subsidiary	收購附屬公司	7,656
<b>At 31 December 2005</b>	<b>於二零零五年十二月三十一日</b>	<b>40,128</b>
<b>Amortisation and impairment</b>	<b>攤銷及減值</b>	
At 1 January 2004	於二零零四年一月一日	3,105
Amortised for the year	本年度攤銷	3,953
Impairment loss recognised	已確認減值虧損	28,072
At 31 December 2004 and 1 January 2005	於二零零四年十二月三十一日及 二零零五年一月一日	35,130
Elimination of goodwill on adoption of HKFRS 3	採納香港財務報告準則第3號時 撤銷商譽	(7,058)
Impairment loss recognised	已確認減值虧損	12,056
<b>At 31 December 2005</b>	<b>於二零零五年十二月三十一日</b>	<b>40,128</b>
<b>Carrying amounts</b>	<b>賬面值</b>	
<b>At 31 December 2005</b>	<b>於二零零五年十二月三十一日</b>	<b>—</b>
At 31 December 2004	於二零零四年十二月三十一日	4,400

In prior years, the amortisation period adopted for goodwill is 10 years. Following the adoption of HKFRS 3, amortisation of goodwill has ceased since 1 January 2005. The accumulated amortisation of goodwill would be offset against the cost. Annual impairment review was performed.

於過往年度，就商譽採納之攤銷期為10年。於採納香港財務報告準則第3號後，商譽由二零零五年一月一日起不再進行攤銷。商譽之累計攤銷將與成本抵銷。每年會進行減值檢討。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005 (in HK Dollars)  
二零零五年十二月三十一日(港元)

### 10. GOODWILL (Continued)

On 19 April 2005, the Group exercised the right under the convertible notes issued by Gainful Fortune Limited ("Gainful Fortune") to convert the outstanding principal of HK\$160,000,000 into shares of Gainful Fortune at a conversion price of HK\$1 per share. Since then, Gainful Fortune and its wholly-owned subsidiary, Ocean Shores Licensing Limited ("OSLL"), (hereinafter collectively refer as "Gainful Fortune Group") become subsidiaries of the Group. As a result, a positive goodwill of approximately HK\$7,656,000 was arisen from the acquisition of Gainful Fortune.

The directors reassessed the recoverable amounts of goodwill and recognised a total impairment loss of approximately HK\$12,056,000.

### 11. INTERESTS IN ASSOCIATES

Convertible notes issued by an associate  
Less: Allowance for convertible notes

聯營公司發行之可換股票據  
減：可換股票據撥備

The convertible notes bore interest at 1% per annum, which was payable yearly in arrears, and matured on 17 April 2005. Prior to the maturity, only Gainful Fortune had the right to redeem early part or all of the amount of the convertible notes. The convertible notes carried the right to convert the outstanding principal amount of the convertible notes into ordinary share of HK\$1 each in the share capital of Gainful Fortune at a conversion price of HK\$1 share on the maturity date. However, prior to the maturity, the Group might convert the convertible notes with the consent of Gainful Fortune.

At 31 December 2004, the directors assessed the financial position of Gainful Fortune and considered that the convertible notes cannot be recovered in the future, therefore, an allowance of HK\$160,000,000 had been made.

### 10. 商譽 (續)

於二零零五年四月十九日，本集團已行使Gainful Fortune Limited (「Gainful Fortune」) 所發行可換股票據項下之權利，按每股1港元之兌換價將未贖回本金額160,000,000港元兌換為Gainful Fortune之股份。自此以後，Gainful Fortune及其全資附屬公司Ocean Shores Licensing Limited (「OSLL」) (以下統稱「Gainful Fortune集團」) 成為本集團之附屬公司。因此，收購Gainful Fortune產生約7,656,000港元之正商譽。

董事重估商譽之可收回金額，並確認減值虧損合共約為12,056,000港元。

### 11. 聯營公司權益

		The Group 本集團	
		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Convertible notes issued by an associate	聯營公司發行之可換股票據	—	160,000
Less: Allowance for convertible notes	減：可換股票據撥備	—	(160,000)
		—	—

該等可換股票據按年利率1厘計息，須每年支付前期利息，並將於二零零五年四月十七日到期。於到期前，只有Gainful Fortune可贖回部份或全部可換股票據。該等可換股票據附有權利可於到期日按兌換價每股1港元將可換股票據之未贖回本金額兌換為Gainful Fortune股本中每股面值1港元之普通股。然而，本集團可於票據到期前經Gainful Fortune同意後兌換該等票據。

於二零零四年十二月三十一日，董事評估Gainful Fortune之財政狀況並認為該等可換股票據之價值將無法於日後收回，因此作出撥備160,000,000港元。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005 (in HK Dollars)  
二零零五年十二月三十一日 (港元)

### 11. INTERESTS IN ASSOCIATES (Continued)

On 17 April 2005, the Group exercised the right under the convertible notes to convert the outstanding principal amount of HK\$160,000,000 into shares of Gainful Fortune at a conversion price of HK\$1 per share. Since then, Gainful Fortune become a subsidiary of the Group.

### 12. INVENTORIES

		The Group 本集團	
		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Finished goods	製成品	6	15

Finished goods of HK\$6,000 (2004: HK\$15,000) are carried at net realisable value.

### 13. TRADE RECEIVABLES

The granting of distribution rights and sub-licensing of film rights are covered by customers' deposits placed with the Group. The balance is receivable upon delivery of the master materials to customers.

The following is an aged analysis of the trade receivables at the balance sheet date:

		The Group 本集團	
		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元 (restated) (重列)
0 – 30 days	零至30日	386	3,054
31 – 60 days	31至60日	258	92
61 – 90 days	61至90日	426	1,979
Over 90 days	90日以上	4,743	19,831
		5,813	24,956
Less: Impairment loss on provision of bad and doubtful debts	減：呆壞賬撥備 減值虧損	(1,084)	(1,648)
		4,729	23,308

The carrying amounts of trade receivables approximate their fair values.

The collectibility of the trade receivables has been assessed in accordance with HKAS 39 and impairment loss on provision of bad and doubtful debts has been recognised in the income statement.

### 11. 聯營公司權益 (續)

於二零零五年四月十七日，本集團已行使可換股票據項下之權利，按每股1港元之兌換價將未贖回本金額160,000,000港元兌換為 Gainful Fortune之股份。自此以後，Gainful Fortune成為本集團之附屬公司。

### 12. 存貨

		The Group 本集團	
		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Finished goods	製成品	6	15

製成品 6,000港元 (二零零四年：15,000港元) 按可變現淨值入賬。

### 13. 貿易應收款項

至於授出之電影發行權及轉授電影發行權，客戶須向本集團支付按金。餘額於電影母帶材料付運予客戶時收取。

於結算日，貿易應收款項之賬齡分析如下：

		The Group 本集團	
		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元 (restated) (重列)
0 – 30 days	零至30日	386	3,054
31 – 60 days	31至60日	258	92
61 – 90 days	61至90日	426	1,979
Over 90 days	90日以上	4,743	19,831
		5,813	24,956
Less: Impairment loss on provision of bad and doubtful debts	減：呆壞賬撥備 減值虧損	(1,084)	(1,648)
		4,729	23,308

貿易應收款項之賬面值與其公平值相若。

貿易應收款項之可追回性已根據香港會計準則第39號評估，而呆壞賬撥備減值已於收益表確認。



# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005 (in HK Dollars)  
二零零五年十二月三十一日(港元)

### 14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

### 14. 按金、預付款項及其他應收款項

		The Group 本集團	
		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Deposits	按金	41,734	270
Prepayments	預付款項	1,195	1,394
Other receivables	其他應收款項	13,851	2,920
		56,780	4,584
Less: Impairment loss recognised in respect of prepayments	減：已確認預付款項減值虧損	(1,188)	—
Impairment loss on provision of bad and doubtful debts	已確認呆壞賬撥備減值虧損	(1,390)	—
		54,202	4,584

The carrying amounts of deposits, prepayments and other receivables approximate their fair values.

按金、預付款項及其他應收款項之賬面值與其公平值相若。

### 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

### 15. 按公平值計入損益表之金融資產

		The Group 本集團	
		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元 (restated) (重列)
<b>Held-for-trading:</b>	<b>持作買賣：</b>		
Equity securities, at fair value	股本證券，按公平值		
— listed in Hong Kong	— 於香港上市	30,567	38,911
— listed outside Hong Kong	— 於香港以外地區上市	—	2,821
		30,567	41,732

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### 16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

### 16. 可供出售之金融資產

		The Group 本集團	
		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元 (restated) (重列)
Unlisted investment	非上市投資	18,000	30,000
Less: Impairment loss recognised	減：已確認資本償還	—	(12,000)
Capital repayment	減值虧損	(7,100)	—
Reclassification to other receivables	重新分類為其他應收款項	(10,900)	—
		—	18,000

Unlisted investment represented the Group's investment in Rainbow Choice Enterprises Limited ("Rainbow Choice"), a company incorporated in the British Virgin Islands. The Group's investment represented a holding of 40% of the ordinary shares of Rainbow Choice. The principal activities of Rainbow Choice were the production and distribution of entertainment news in the PRC. Rainbow Choice started operations in July 2004 and its operations and assets were controlled by the other shareholder. Although the Group appointed a representative to the board of directors of Rainbow Choice, the Company found that its representative encountered significant difficulty in influencing the management of Rainbow Choice in practice. As a result, Rainbow Choice was reclassified from an associate of the Group to available-for-sale financial assets of the Group.

On 23 April 2005, the Group entered into an agreement with other shareholder of Rainbow Choice pursuant to which both parties agreed that the ownership of all the entertainment news programmes produced by Rainbow Choice would be transferred to the Group and the other shareholder of Rainbow Choice agreed to pay HK\$18,000,000 to the Group. Upon signing the agreement and up to the date of this report, the Group received HK\$18,000,000 from the other shareholder of Rainbow Choice.

非上市投資指本集團於英屬處女群島註冊成立之公司 Rainbow Choice Enterprises Limited (「Rainbow Choice」) 之投資。本集團之投資佔 Rainbow Choice 普通股之 40%。Rainbow Choice 之主要業務為於中國製作及發行娛樂新聞節目。Rainbow Choice 於二零零四年七月開始營運，其營運及資產由另一位股東控制。儘管本集團於 Rainbow Choice 之董事會有一名委任代表，本公司發現其代表實際上難以對 Rainbow Choice 之管理發揮重大影響力。因此，Rainbow Choice 由原本屬本集團之聯營公司重新分類為本集團之可供出售之金融資產。

於二零零五年四月二十三日，本集團與該位 Rainbow Choice 股東達成協議，據此雙方同意 Rainbow Choice 製作之所有娛樂新聞節目之擁有權將轉讓予本集團，而該位 Rainbow Choice 股東同意向本集團支付 18,000,000 港元。在簽訂該協議後及截至本報告日期，本集團自 Rainbow Choice 之其他股東獲得 18,000,000 港元。

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### 17. AMOUNT DUE FROM AN ASSOCIATE

#### The Group

The amount was unsecured, non-interest bearing and had no fixed terms of repayment.

### 17. 應收聯營公司款項

#### 本集團

該款項為無抵押、免息及無固定還款期。

### 18. TAX PREPAYMENT

### 18. 預付稅項

		The Group 本集團	
		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Tax reserve certificates	儲稅券	3,055	—
Tax paid in advance	預付稅項	1,091	—
		4,146	—

Tax reserve certificates bear interest at 0.01% per annum.

儲稅券以年利率0.01厘計息。

### 19. SHARE CAPITAL

### 19. 股本

		Number of shares 股數 '000 千股	Amount 金額 HK\$'000 千港元
<b>Authorised:</b>	<b>法定股本：</b>		
At 31 December 2004 (Ordinary shares of HK\$0.1 each)	於二零零四年十二月三十一日 (每股面值0.10港元之普通股)	2,000,000	200,000
<b>At 31 December 2005 (Ordinary shares of HK\$0.01 each)</b>	<b>於二零零五年十二月三十一日 (每股面值0.01港元之普通股)</b>	<b>20,000,000</b>	<b>200,000</b>
<b>Issued and fully paid:</b>	<b>已發行及繳足股本：</b>		
At 31 December 2004 and 1 January 2005	於二零零四年十二月三十一日及 二零零五年一月一日	475,200	47,520
Shares subdivision (note i)	股份拆細(附註i)	4,276,800	—
Issuance of new shares (notes ii & iii)	發行新股份(附註ii及iii)	402,018	4,020
<b>At 31 December 2005</b>	<b>於二零零五年十二月三十一日</b>	<b>5,154,018</b>	<b>51,540</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

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### 19. SHARE CAPITAL (Continued)

Notes:

- (i) At the general meeting of the Company held on 14 January 2005, resolutions were passed to approve, among other things, the share subdivision on the basis of one share of HK\$0.10 in the issued and unissued share capital of the Company be subdivided into 10 subdivided share of HK\$0.01 each in the issued and unissued share capital of the Company. The share subdivision became effective on 17 January 2005.
- (ii) During May and June 2005, 2,018,000 new shares of HK\$0.01 were allotted and issued to independent third parties at a subscription price of HK\$0.36 per share resulting from the exercise of subscription rights attached to the warrants of the Company. An amount of approximately HK\$706,380 has been recognised as share premium during the year.
- (iii) On 12 September 2005, 400,000,000 new shares of HK\$0.01 were allotted and issued to independent third parties at a price of HK\$0.34 per share pursuant to a placing and subscription agreement dated 7 September 2005. The net proceeds of approximately HK\$131,179,000 are intended to use for investment in other relevant business opportunities that may arise in the future and for general working of the Group. An amount of approximately HK\$132,000,000 has been recognised as share premium during the year.

#### Warrants

During the year ended 31 December 2002, the Company issued 95,040,000 warrants by way of bonus to the shareholders on the basis of one warrant for every five shares of HK\$0.10 each in the share capital of the Company held on 27 May 2002. Each warrant entitles the holder to subscribe for one share of HK\$0.10 in the Company at an initial subscription price of HK\$3.60 per share, subject to adjustment, at any time on or after 17 June 2002 up to and including 16 June 2005.

As a result of the share subdivision in January 2005, the subscription price of the warrants was adjusted from HK\$3.60 per share of HK\$0.10 to HK\$0.36 per share of HK\$0.01 with effect from 17 January 2005.

During the year, 2,018,000 warrants were exercised and converted into 2,018,000 shares of HK\$0.01 each at HK\$0.36 per share. All other warrants expired on 16 June 2005.

### 19. 股本 (續)

附註：

- (i) 於本公司於二零零五年一月十四日舉行之股東大會上，通過決議案批准（其中包括）股份拆細，基準為本公司已發行及未發行股本中一股每股面值0.10港元之股份拆細為本公司已發行及未發行股本中10股每股面值0.01港元之經拆細股份。股份拆細於二零零五年一月十七日生效。
- (ii) 於二零零五年五月及六月，由於本公司認股權證附有之認股權獲行使，故向獨立第三方配發及發行2,018,000股每股面值0.01港元之股份，認購價為每股0.36港元。為數約706,380港元之金額已於年內確認為股份溢價。
- (iii) 於二零零五年九月十二日，根據於二零零五年九月七日訂立之配售及認購協議按每股0.34港元之價格向獨立第三方配發及發行400,000,000股每股面值0.01港元之股份。所得款項淨額約131,179,000港元擬用作投資於其他將來可能出現之有關商機及本集團之一般營運。為數約132,000,000港元之金額已於年內確認為股份溢價。

#### 認股權證

於截至二零零二年十二月三十一日止年度內，本公司按於二零零二年五月二十七日每持有五股本公司股本中每股面值0.10港元之股份發行一份認股權證之基準，向股東發行95,040,000份紅利認股權證。每份認股權證給予持有人有權於二零零二年六月十七日起（或之後）至二零零五年六月十六日（包括該日）隨時按每股3.60港元（可予以調整）之初步認購價認購一股本公司面值0.10港元之股份。

由於在二零零五年一月進行股份拆細，故認股權證之認購價由每股3.60港元（可認購每股面值0.10港元之股份）調整至每股0.36港元（可認購每股面值0.01港元之股份），由二零零五年一月十七日起生效。

年內，2,018,000份認股權證已獲行使，並按每股0.36港元兌換為2,018,000股每股面值0.01港元之股份。所有其他認股權證已二零零五年六月十六日屆滿。

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### 20. RESERVES

#### The Group

### 20. 儲備

#### 本集團

		Share premium 股份溢價 HK\$'000 千港元	Capital reserve 股本儲備 HK\$'000 千港元	Contributed surplus 實繳盈餘 HK\$'000 千港元	Properties revaluation reserve 物業重估儲備 HK\$'000 千港元 (restated) (重列)	(Accumulated) losses)/ retained profits (累計虧損)/ 保留溢利 HK\$'000 千港元 (restated) (重列)	Total 總計 HK\$'000 千港元 (restated) (重列)
At 1 January 2004	於二零零四年一月一日	—	19,834	80,103	5,073	185,125	290,135
Effect on adoption of HKAS 17	採納香港會計準則 第17號之影響	—	—	—	(2,638)	1,154	(1,484)
As restated at 1 January 2004	於二零零四年一月一日 (重列)	—	19,834	80,103	2,435	186,279	288,651
Revaluation surplus on leasehold land and buildings not recognised in the consolidated income statement	樓宇重估盈餘 (並無於綜合 收益表確認)	—	—	—	1,559	—	1,559
Effect on adoption of HKAS 17	採納香港會計準則 第17號之影響	—	—	—	(812)	—	(812)
Net loss for the year	本年度虧損淨額	—	—	—	—	(268,347)	(268,347)
As restated at 31 December 2004 and 1 January 2005	於二零零四年十二月 三十一日及二零零五年 一月一日 (重列)	—	19,834	80,103	3,182	(82,068)	21,051
Reserve realised on disposal of leasehold land and buildings	出售租賃土地及 樓宇之已變現儲備	—	—	—	(3,182)	—	(3,182)
Issuance of new shares	發行新股份	132,706	—	—	—	—	132,706
Share issue expenses	股份發行開支	(4,841)	—	—	—	—	(4,841)
Net loss for the year	本年度虧損淨額	—	—	—	—	(29,664)	(29,664)
At 31 December 2005	於二零零五年 十二月三十一日	127,865	19,834	80,103	—	(111,732)	116,070

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005 (in HK Dollars)  
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### 20. RESERVES (Continued)

#### The Company

		Share Premium 股份溢價 HK\$'000 千港元	Contributed surplus 實繳盈餘 HK\$'000 千港元	Accumulated losses 累計虧損 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 January 2004	於二零零四年一月一日	—	163,456	(1,972)	161,484
Net loss for the year	本年度虧損淨額	—	—	(148,631)	(148,631)
At 31 December 2004 and 1 January 2005	於二零零四年十二月 三十一日及 二零零五年一月一日	—	163,456	(150,603)	12,853
Issuance of new shares	發行新股份	132,706	—	—	132,706
Share issue expenses	股份發行開支	(4,841)	—	—	(4,841)
Net loss for the year	本年度虧損淨額	—	—	(93,239)	(93,239)
At 31 December 2005	於二零零五年 十二月三十一日	127,865	163,456 *	(243,842)	47,479

\* The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries acquired by the Company as at the date of the group reorganisation and the nominal amount of the Company's share capital issued as consideration for the acquisition as well as the net amount transferred from the share premium account and to the accumulated losses account pursuant to the special resolution passed at a special general meeting on 22 August 2003.

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

- (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 accounts.

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

### 20. 儲備 (續)

#### 本公司

		Share Premium 股份溢價 HK\$'000 千港元	Contributed surplus 實繳盈餘 HK\$'000 千港元	Accumulated losses 累計虧損 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 January 2004	於二零零四年一月一日	—	163,456	(1,972)	161,484
Net loss for the year	本年度虧損淨額	—	—	(148,631)	(148,631)
At 31 December 2004 and 1 January 2005	於二零零四年十二月 三十一日及 二零零五年一月一日	—	163,456	(150,603)	12,853
Issuance of new shares	發行新股份	132,706	—	—	132,706
Share issue expenses	股份發行開支	(4,841)	—	—	(4,841)
Net loss for the year	本年度虧損淨額	—	—	(93,239)	(93,239)
At 31 December 2005	於二零零五年 十二月三十一日	127,865	163,456 *	(243,842)	47,479

\* 根據於二零零三年八月二十二日之股東特別大會上通過之特別決議案，本公司之實繳盈餘指本公司所收購之附屬公司於集團重組日期之相關資產淨值與本公司作為收購代價之所發行股本之面值及自股份溢價賬轉撥至累計虧損賬之淨額之差額。

根據百慕達一九八一年公司法(經修訂)，本公司之實繳盈餘賬可予分派。惟倘出現下列情況，則本公司不得宣派或派付股息或在實繳盈餘中作出分派：

- (a) 本公司現時或於分派後無法償還其到期負債；或
- (b) 本公司資產可變現價值降至低於其負債、已發行股本及股份溢價賬之總和。

於二零零五年十二月三十一日，本公司並無可供分派儲備。



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### 20. RESERVES (Continued)

#### The Group

The capital reserve of the Group represents the difference of the share capital and share premium of the subsidiaries and the nominal value of the 880 shares issued by Ocean Shores (BVI) Limited (now renamed Riche (BVI) Limited) prior to the allotment of 120 shares to Classical Statue Limited and the amount arising from issue of shares by a subsidiary.

The contributed surplus of the Group represents the net amount transferred from the share premium account and to the accumulated losses account pursuant to the special resolution passed at a special general meeting on 22 August 2003.

All the reserves of the Group are attributable to the Company and its subsidiaries.

### 21. DEFERRED TAXATION

The followings are the major deferred tax liabilities and assets recognised by the Group and movements thereon:

		Accelerated tax depreciation 加速稅項折舊 HK\$'000 千港元	Estimated tax losses 估計稅務虧損 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 January 2004	於二零零四年一月一日	550	(550)	—
Credit to income statement for the year	本年度計入收益表	(123)	123	—
At 31 December 2004 and 1 January 2005	於二零零四年十二月三十一日 及二零零五年一月一日	427	(427)	—
Credit to income statement for the year	本年度計入收益表	(173)	173	—
<b>At 31 December 2005</b>	<b>於二零零五年十二月三十一日</b>	<b>254</b>	<b>(254)</b>	<b>—</b>

At the balance sheet date, the Group had unused estimated tax losses of approximately HK\$50,935,000 (2004: HK\$51,200,000) available for offset against future profits. A deferred tax asset of approximately HK\$254,000 (2004: HK\$427,000) has been recognised. No deferred tax asset has been recognised in respect of the remaining balance of approximately HK\$8,666,000 (2004: HK\$8,533,000) due to the unpredictability of future profit streams.

### 20. 儲備 (續)

#### 本集團

本集團之股本儲備指附屬公司之股本及股份溢價與向 Classical Statue Limited 配發 120 股股份前 Ocean Shores (BVI) Limited (現改稱 Riche (BVI) Limited) 所發行之 880 股股份之面值及因附屬公司發行股份所產生之款項之差額。

本集團之實繳盈餘指根據於二零零三年八月二十二日之股東特別大會上通過之特別決議案自股份溢價賬轉撥至累計虧損賬之淨額。

本集團所有儲備均撥歸本公司及其附屬公司。

### 21. 遞延稅項

以下為本集團確認之主要遞延稅項負債及資產及有關變動：

於結算日，本集團擁有約 50,935,000 港元 (二零零四年：51,200,000 港元) 之未動用估計稅務虧損可供抵銷日後溢利。約 254,000 港元 (二零零四年：427,000 港元) 之遞延稅項資產已獲確認。由於未能預計日後之溢利，故並無就餘額約 8,666,000 港元 (二零零四年：8,533,000 港元) 確認遞延稅項資產。

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### 22. TRADE PAYABLES

The following is an aged analysis of fair value of the trade payables at the balance sheet date:

### 22. 貿易應付款項

於結算日，貿易應付款項之公平值之賬齡分析如下：

		The Group 本集團	
		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
China Star Entertainment Limited and its subsidiaries ("China Star Group"):	China Star Entertainment Limited (中國星集團有限公司) 及其附屬公司 (「中國星集團」) :		
0 – 30 days	零至30日	3	123
31 – 60 days	31至60日	—	116
61 – 90 days	61至90日	—	85
Over 90 days	90日以上	15	1
		18	325
Others:	其他：		
0 – 30 days	零至30日	—	—
61 – 90 days	61至90日	—	—
Over 90 days	90日以上	1,696	1,658
		1,696	1,658
		1,714	1,983

China Star Entertainment Limited ("China Star") is a substantial shareholder of the Company.

The carrying amounts of trade payables approximate their fair values.

China Star Entertainment Limited (中國星集團有限公司) (「中國星」) 為本公司之主要股東。

貿易應付款項之賬面值與其公平值相若。

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### 23. OTHER PAYABLES AND ACCRUALS

### 23. 其他應付款項及應計費用

		The Group 本集團	
		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Accruals	應計費用	1,971	1,813
Other payables	其他應付款項	5,648	1,984
		7,619	3,797

The carrying amounts of other payables and accruals approximate their fair values.

其他應付款項及應計費用之賬面值與其公平值相若。

### 24. AMOUNTS DUE TO RELATED COMPANIES

### 24. 應付關連公司款項

		The Group 本集團	
		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
China Star (note i)	中國星(附註i)	33,800	—
China Star's subsidiaries (note ii)	中國星之附屬公司(附註ii)	1,032	549
		34,832	549

		The Company 本公司	
		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
China Star (note i)	中國星(附註i)	33,800	—
China Star's subsidiaries	中國星之附屬公司	—	—
		33,800	—

Notes:

- The amount due to China Star was unsecured, interest bearing at 1% per annum and matured on 19 April 2006.
- The amounts due to China Star's subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

附註：

- 應付中國星款項乃無抵押、按年利率1厘計息及已於二零零六年四月十九日到期。
- 應付中國星之附屬公司款項乃無抵押、免息及無固定還款期。

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### 25. OBLIGATIONS UNDER A FINANCE LEASE

#### The Group

#### 本集團

		Minimum lease payments 最低租金		Present value of minimum lease payments 最低租金現值	
		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Amounts payable under a finance lease:	根據融資租約應付之金額：				
Within one year	一年內	—	10	—	8
In the second to fifth year inclusive	第二至五年內 (包括首尾兩年)	—	—	—	—
Less: Future finance charges	減：日後融資費用	—	10	—	8
		—	2	—	—
Present value of lease obligations	租約承擔現值	—	8	—	8
Less: Amount due for payment within one year	減：一年內應付金額			—	8
Amount due for payment after one year	一年後應付金額			—	—

The Group leased certain of its equipment under a finance lease. The lease term was 5 years. Interest was charged at commercial rates and was fixed at the contract date.

本集團以融資租約方式租用若干設備。租期為5年。利息乃按商業利率計算，並於訂立有關合約當日釐定。租約均訂有固定還款額，惟並無就或然租金訂立任何安排。

### 26. CONVERTIBLE NOTES PAYABLE

#### The Group and the Company

On 5 February 2002, the Group and China Star Group entered into a licensing agreement pursuant to which China Star Group granted to the Group the licensing rights in the PRC and Mongolia in respect of 116 motion pictures for a term of 10 years from 8 April 2002 at a total consideration of HK\$33,800,000. The consideration was settled by the issue of convertible notes in an aggregate amount of HK\$33,800,000 by the Company.

### 25. 融資租約承擔

### 26. 應付可換股票據

#### 本集團及本公司

於二零零二年二月五日，本集團與中國星集團訂立特許權協議，據此，中國星集團以總代價33,800,000港元將116部電影在中國及蒙古之特許權授予本集團，由二零零二年四月八日起為期10年。該代價以本公司發行合共33,800,000港元之可換股票據支付。

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### 26. CONVERTIBLE NOTES PAYABLE (Continued)

#### The Group and the Company (Continued)

The convertible notes bore interest at 1% per annum which was payable semi-annually in arrears and matured on 19 April 2005. Prior to the maturity, neither the holder nor the Company had the right to redeem or request for redemption of the notes. The convertible notes carried the right to convert the whole or any part of the outstanding principal amount of the convertible notes into ordinary shares of HK\$0.10 each in the share capital of the Company at HK\$4.00 per share, subject to adjustment, at any time on or before 19 April 2005. The convertible notes might be transferred in whole or in part of the outstanding principal amount into the share capital of the Company by the holder.

As a result of the share subdivision in January 2005, the conversion price of the convertible notes was adjusted from HK\$4.00 per share of HK\$0.10 to HK\$0.40 per share of HK\$0.01 with effect from 17 January 2005.

On 19 April 2005, the convertible notes issued by the Company matured. China Star Group did not exercise the right to convert the outstanding principal amount of HK\$33,800,000 into share capital of the Group and the Company repaid HK\$33,800,000 to China Star Group.

### 27. TURNOVER

		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Distribution of films	發行電影	9,382	27,285
Sub-licensing of film rights	轉授電影發行權	10,534	16,319
Sales of financial assets at fair value through profit and loss	銷售按公平值計入 損益表之金融資產	18,423	14,778
		38,339	58,382

### 26. 應付可換股票據 (續)

#### 本集團及本公司 (續)

該等可換股票據按年利率1厘計息，須每半年支付前期股息，並將於二零零五年四月十九日到期。於到期前，持有人或本公司均無權贖回或要求贖回該等票據。該等可換股票據附有權利可於二零零五年四月十九日或之前隨時按每股4.00港元之兌換價(可予調整)將可換股票據之全部或任何部份未贖回本金額兌換為本公司股本中每股面值0.10港元之普通股，而持有人可將全部或部份未贖回本金額轉換為本公司股本。

由於二零零五年一月進行股份拆細，可換股票據之兌換價由每股面值0.10港元之4.00港元調整為每股面值0.01港元之0.40港元，自二零零五年一月十七日生效。

於二零零五年四月十九日，本公司發行之可換股票據到期，中國星集團並無行使權利將未贖回本金額33,800,000港元兌換為本集團股本，而本公司付還33,800,000港元予中國星集團。

### 27. 營業額

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### 28. OTHER REVENUE AND OTHER INCOME

### 28. 其他收益及其他收入

		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
<b>Other revenue</b>	<b>其他收益</b>		
Dividend income from financial assets at fair value through profit and loss	按公平值計入損益表之金融資產之股息收入	627	315
Interest income on bank deposits	銀行存款之利息收入	1,339	14
Sundry income	雜項收入	100	61
		<b>2,066</b>	<b>390</b>
<b>Other income</b>	<b>其他收入</b>		
Gain on disposal of leasehold land and buildings	出售租賃土地及樓宇之收益	7,110	—

### 29. LOSS FROM OPERATIONS

### 29. 經營虧損

		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元 (restated) (重列)
Loss from operations has been arrived after charging:	經營虧損已扣除下列各項：		
Allowance for film right deposits	電影發行權按金撥備	—	1,000
Allowance for inventory obsolescence	陳舊存貨撥備	—	917
Amortisation of prepaid operating lease payments	預付經營租約租金攤銷	10	20
Amortisation of film rights	電影發行權攤銷	10,332	17,894
Amortisation of goodwill	商譽攤銷	—	3,953
Amortisation of other asset	其他資產攤銷	—	6,644
Auditors' remuneration	核數師酬金	500	720
Cost of inventories sold	已售存貨成本	33	1,904
Depreciation of property, plant and equipment:	物業、廠房及設備折舊：		
— owned assets	— 自置資產	1,098	1,206
— leased assets	— 租賃資產	10	10
		<b>1,108</b>	<b>1,216</b>
Impairment loss recognised in respect of prepayments	已確認預付款項減值虧損	1,188	—
Impairment loss on provision of bad and doubtful debts	呆壞賬撥備減值虧損	2,474	1,648
Operating leases rental in respect of rented premises	租賃物業之經營租約租金	900	1,616
Staff costs including directors' emoluments	員工成本(包括董事酬金)：		
— Salaries	— 薪金	6,813	10,008
— Contribution to retirement benefits scheme	— 退休福利計劃供款	143	212
		<b>6,956</b>	<b>10,220</b>
Unrealised loss on financial assets at fair value through profit and loss	按公平值計入損益表之金融資產之未變現虧損	3,928	852



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### 30. FINANCE COSTS

### 30. 融資費用

		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Interest on borrowing wholly repayable within five years:	須於五年內悉數償還之借貸之利息：		
— convertible notes payable	— 應付可換股票據	100	338
— loan payable	— 應付貸款	238	—
— a finance lease	— 融資租約	2	2
		340	340

### 31. DIRECTORS' EMOLUMENTS

### 31. 董事酬金

The board of directors of the Company is currently composed of two executive directors and three non-executive directors.

本公司之董事會現由兩名執行董事及三名非執行董事組成。

The aggregate amount of emoluments payable to the directors of the Company during the year was HK\$1,710,000 (2004: HK\$1,830,000). The remuneration of every director for the years ended 31 December 2005 and 2004 was as follows:

年內應付予本公司董事之酬金總額為1,710,000港元(二零零四年：1,830,000港元)。截至二零零五年及二零零四年十二月三十一日止年度，每名董事之薪酬如下：

Name of director 董事姓名	Fee 袍金		Salaries and bonuses 薪金及花紅		Contribution to retirement benefit scheme 退休福利計劃供款		Total 總計	
	2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Mr. Heung Wah Keung 向華強先生	—	—	—	—	—	—	—	—
Ms. Chen Ming Yin, Tiffany 陳明英女士	—	—	—	—	—	—	—	—
Mr. Lei Hong Wai (note i) 李雄偉先生(附註i)	—	—	1,341	1,548	9	12	1,350	1,560
Mr. Tang Chak Lam, Gilbert 鄧澤林先生	120	120	—	—	—	—	120	120
Mr. Ho Wai Chi Paul 何偉志先生	120	30	—	—	—	—	120	30
Mr. Lien Wai Hung (note ii) 連偉雄先生(附註ii)	90	—	—	—	—	—	90	—
Mr. Lai Hok Lim (note iii) 黎學廉先生(附註iii)	30	120	—	—	—	—	30	120
	360	270	1,341	1,548	9	12	1,710	1,830

#### Notes:

- (i) Mr. Lei Hong Wai resigned as a director on 13 October 2005.
- (ii) Mr. Lien Wai Hung was appointed as a director on 12 April 2005.
- (iii) Mr. Lai Hok Lim resigned as a director on 12 April 2005.

#### 附註：

- (i) 李雄偉先生於二零零五年十月十三日辭任董事。
- (ii) 連偉雄先生於二零零五年四月十二日獲委任為董事。
- (iii) 黎學廉先生於二零零五年四月十二日辭任董事。

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### 32. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals whose emoluments were the highest in the Group for the year include one director (2004: one) whose emoluments are reflected in note 31 above and amounted to HK\$1,350,000 (2004: HK\$1,560,000). The emoluments payable to the remaining four individual (2004: four) during the year were as follow:

		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Salaries and other allowances	薪金及其他津貼	2,244	2,364
Retirement benefits scheme contributions	退休福利計劃供款	48	48
		2,292	2,412

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

於本集團五名最高薪人士中，其中一名(二零零四年：一名)為董事，其酬金已載於上文附註31，達1,350,000港元(二零零四年：1,560,000港元)。年內應付予其餘四名(二零零四年：四名)人士之酬金如下：

年內，本集團並無向董事支付任何酬金，作為加入本集團之獎勵或離職補償。概無董事於年內放棄任何酬金。

### 33. TAXATION

The taxation (charge)/credit is as follows: 稅項(支出)／抵免如下：

		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Hong Kong Profits Tax:	香港利得稅：		
— current year	— 本年度	—	(284)
— overprovision in prior years	— 過往年度超額撥備	—	7
Taxation charge attributable to the Company and its subsidiaries	本公司及其附屬公司應佔稅項支出	—	(277)

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2005 as the Company and its subsidiaries either have no estimated assessable profits or their estimated assessable profits are wholly absorbed by estimated tax losses brought forward.

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for the year ended 31 December 2004.

由於本公司及其附屬公司均無估計應課稅溢利或其估計應課稅溢利已獲承前估計稅務虧損全數抵銷，故並無於截至二零零五年十二月三十一日止年度就香港利得稅作出撥備。

香港利得稅乃按截至二零零四年十二月三十一日止年度估計應課稅溢利以17.5%稅率計算。

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### 33. TAXATION (Continued)

The taxation for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

		2005 二零零五年 HK\$'000 千港元	%	2004 二零零四年 HK\$'000 千港元	%
Loss before taxation	除稅前虧損	(29,664)		(268,070)	
Taxation at income tax rate of 17.5%	按所得稅稅率 17.5%計算之稅項	5,191	17.5	46,912	17.5
Tax effect of income that is not taxable in determining taxable profit	在決定應課稅溢利時不可課稅收入之稅務影響	8,554	28.8	606	0.2
Tax effect of expenses that are not deductible in determining tax profit	在決定應課稅溢利時不可扣稅支出之稅務影響	(11,308)	(38.1)	(45,632)	(17.0)
Underprovision in respect of prior years	過往年度撥備不足	—	—	7	—
Tax effect of estimated tax losses for which deferred tax assets have not been recognised	未確認遞延稅項資產之估計稅項虧損之稅務影響	—	—	(2,170)	(0.8)
Tax losses not yet recognised	未確認稅項虧損	(2,437)	(8.2)	—	—
Taxation charge for the year	本年度稅項支出	—	—	(277)	(0.1)

In April 2002, April 2003, March 2004, and January 2005, the Inland Revenue Department (the "IRD") of Hong Kong issued estimated assessments to Ocean Shores Licensing Limited ("OSLL") in respect of its potential tax liabilities for the years of assessments from 1995/1996 to 2000/2001 in the amount of HK\$22,971,000. OSLL has formally objected to the estimated assessments. The directors consider appropriate tax provision has already been made in the financial statements.

At the request of the IRD, OSLL has already paid deposits totaling approximately HK\$4,146,000 by way of purchase of tax reserve certificates and payment of instalments in cash. There are possible obligations in penalty and interest arising in respect of the potential tax liabilities in the event that the objection is settled.

### 33. 稅項 (續)

年內，可與綜合收益表內之除稅前虧損對賬之稅項如下：

於二零零二年四月、二零零三年四月、二零零四年三月及二零零五年一月，香港稅務局(「稅務局」)向Ocean Shores Licensing Limited(「OSLL」)就其由一九九五／一九九六年至二零零零／二零零一年評稅年度之潛在稅務負債為數22,971,000港元發出估計評稅。OSLL已就估計評稅提出正面反對。董事認為已在財務報表內作出適當之稅項撥備。

應稅務局要求，OSLL已以儲稅券及分期現金付款之方式支付按金合共約4,146,000港元。倘有關反對獲解決，則可能有責任須支付潛在稅務負債產生須罰款及利息。

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### 34. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following data:

### 34. 每股虧損

每股基本及攤薄虧損乃根據下列數據計算：

		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元 (restated) (重列)
Loss for the purposes of basic loss per share — net loss for the year	於計算每股基本虧損時所用之虧損 — 本年度虧損淨額	(29,664)	(268,347)
Effect of dilutive potential ordinary shares:	潛在普通股之攤薄影響：		
Interest on convertible notes payable	應付可換股票據利息	—	—
Loss for the purposes of diluted loss per share	於計算每股攤薄虧損時所用之虧損	(29,664)	(268,347)
		'000 千股	'000 千股
Number of shares	股份數目		
Weighted average number of ordinary shares for the purpose of basic loss per share	於計算每股基本虧損時所用之普通股加權平均數	4,865,190	4,752,000
Effect of dilutive potential ordinary shares:	潛在普通股之攤薄影響：		
Warrants	認股權證	—	—
Convertible notes payable	應付可換股票據	—	—
Share options	購股權	—	—
Weighted averaged number of ordinary share for the purposes of diluted loss per share	於計算每股攤薄虧損時所用之普通股加權平均數	4,865,190	4,752,000

The computation of diluted loss per share for the year ended 31 December 2005 did not assume the exercise of the Company's share options because the effect of exercising an option to subscribe for an additional share in the Company would result in a decrease of net loss per share.

由於行使本公司之購股權認購本公司額外股份將導致每股虧損淨額減少，故此計算截至二零零五年十二月三十一日止年度每股攤薄虧損時並無假設已行使本公司之購股權。

The computation of diluted loss per share for the year ended 31 December 2004 did not assume the exercise of the Company's warrants, convertible notes payable and share options because the effect of exercising a warrant, a convertible note payable and an option to subscribe for an additional share in the Company would result in a decrease of net loss per share.

由於本公司認股權證之行使價高於股份平均市價，故此計算截至二零零四年十二月三十一日止年度之每股攤薄虧損時並無假設已行使該等認股權證、應付可換股債券及購股權，原因為行使本公司認股權證、應付可換股票據及購股權以認購額外股份之影響將導致每股虧損淨額有所減少。

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### 35. ACQUISITION OF A SUBSIDIARY

During the year ended 31 December 2005, the Company acquired 59.99% interest in Gainful Fortune. The fair values of assets acquired and liabilities assumed are as follows:

### 35. 收購附屬公司

於截至二零零五年十二月三十一日止年度內，本公司收購Gainful Fortune之59.99%權益。所收購資產之公平值及所承擔之負債如下：

		2005 二零零五年	2004 二零零四年
Net assets acquired	所收購資產淨值		
Other receivables	其他應收款項	784	—
Cash and bank balances	現金及銀行結存	95	—
Tax prepayment	預付稅項	4,133	—
Receipt in advance	預收款項	(8,978)	—
Other payables and accruals	其他應付款項及應計費用	(3,690)	—
		(7,656)	—
Goodwill	商譽	7,656	—
		—	—
Satisfied by	支付方式		
Cash	現金	—	—
		—	—

Analysis of the net inflow in respect of the acquisition of a subsidiary:

收購附屬公司之流入淨額分析：

		2005 二零零五年	2004 二零零四年
Cash consideration	現金代價	—	—
Cash and bank balances in hand acquired	所收購現金及銀行結存	95	—
Net cash inflow in respect of the acquisition of a subsidiary	收購附屬公司之現金流入淨額	95	—

No turnover was contributed from the subsidiary acquired during the year ended 31 December 2005. The subsidiary acquired contributed to the Group a loss of approximately HK\$155,000 for the year. The subsidiary acquired contributed approximately HK\$110,000 to the Group's net operating cash flows. There is no significant impact of the Group's cash flows for investing and financing activities and payment of tax.

於截至二零零五年十二月三十一日止年度內，收購之附屬公司並無為本集團之營業額帶來貢獻。所收購附屬公司為本集團之本年度虧損帶來約155,000港元。所收購附屬公司為本集團之經營現金流量淨額帶來約110,000港元。本集團作投資與融資活動及支付稅項之現金流量並無受重大影響。

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## 財務報表附註

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### 36. COMMITMENTS

#### (a) Lease commitments

##### As lessee

At 31 December 2005, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

		<b>The Group</b> 本集團	
		<b>2005</b> 二零零五年 <b>HK\$'000</b> 千港元	<b>2004</b> 二零零四年 <b>HK\$'000</b> 千港元
Within one year	一年內	<b>539</b>	981
In the second to fifth year inclusive	第二至五年內 (包括首尾兩年)	<b>38</b>	463
		<b>577</b>	1,444

Operating lease payments represent rentals payable by the Group for its office premises. Leases are mainly negotiated for an average term of two years and rentals are fixed for an average of two years.

##### As lessor

At 31 December 2005 the Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases in respect of the Group's property, which fall due as follows:

		<b>The Group</b> 本集團	
		<b>2005</b> 二零零五年 <b>HK\$'000</b> 千港元	<b>2004</b> 二零零四年 <b>HK\$'000</b> 千港元
Within one year	一年內	—	26

At the balance sheet date, the Company did not have any lease commitments.

### 36. 承擔

#### (a) 租賃承擔

##### 作為承租人

於二零零五年十二月三十一日，本集團根據於下列期限屆滿之土地及樓宇不可撤銷經營租約之日後最低租金承擔如下：

	<b>The Group</b> 本集團
	<b>2005</b> 二零零五年 <b>HK\$'000</b> 千港元
Within one year	981
In the second to fifth year inclusive	463
	1,444

經營租金指本集團辦公室物業應付之租金。租約主要就平均兩年租期磋商，而平均兩年之租金固定不變。

##### 作為出租人

於二零零五年十二月三十一日，本集團根據與租戶訂約於下列期限屆滿之本集團物業不可撤銷經營租約之日後最低租金如下：

	<b>The Group</b> 本集團
	<b>2005</b> 二零零五年 <b>HK\$'000</b> 千港元
Within one year	26

於結算日，本公司並無任何租賃承擔。



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## 財務報表附註

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### 36. COMMITMENTS (Continued)

#### (b) Other commitments

- (i) At 31 December 2004, the Group had commitments for purchase of film rights amounted to approximately HK\$56,000, which were contracted but not provided for in the financial statements.

At 31 December 2005, the Group had no commitments for purchase of film rights.

- (ii) Pursuant to the undertaking letters issued by the owners of 上海昇平文化發展有限公司 during the year ended 31 December 2003, they will transfer their ownership in the company to the Group at price determined by the valuers in the PRC when the laws in the PRC allow foreign investors own more than 51% in the company.

- (iii) On 9 April 2005, the Group entered into a conditional sale and purchase agreement with Leadfirst Limited, a company wholly-owned by Mr. Benny Ki, as a seller, and Mr. Benny Ki, as a guarantor, pursuant to which the Group agreed to acquire 100% of the issued share capital of Best Winning Group Limited from Leadfirst Limited at a consideration of HK\$600,000,000. Upon completion of the conditional sales and purchase agreement, the consideration shall be satisfied by the issue of convertible notes in principal amount of HK\$500,000,000 and the payment of cash of HK\$100,000,000. At 31 December 2005, the Group has paid deposits amounted to HK\$40,000,000 to Leadfirst Limited.

Subsequent to the year end, the Company announced that the conditional sale and purchase agreement ceased and determined on 31 March 2006.

### 36. 承擔 (續)

#### (b) 其他承擔

- (i) 於二零零四年十二月三十一日，本集團擁有購買電影發行權之承擔約為56,000港元，該等承擔乃已訂約但未於財務報表作出撥備。

於二零零五年十二月三十一日，本集團並無購買電影發行權之承擔。

- (ii) 根據上海昇平文化發展有限公司之擁有人於截至二零零三年十二月三十一日止年度內發出之承諾書，倘中國法例容許外國投資者擁有該公司超過51%之權益，則彼等將按中國估值師釐定之價格轉讓其於該公司之擁有權予本集團。

- (iii) 於二零零五年四月九日，本集團與一間由紀明寶先生全資擁有之公司 Leadfirst Limited (作為賣方) 及紀明寶先生 (作為保證人) 訂立有條件買賣協議，據此，本集團同意以600,000,000港元之代價向 Leadfirst Limited 收購 Best Winning Group Limited 之全部已發行股本。於有條件買賣協議完成後，代價將透過發行本金額為500,000,000港元之可換股票據及支付100,000,000港元現金之方式支付。於二零零五年十二月三十一日，本集團已向 Leadfirst Limited 支付為數40,000,000港元之按金。

於年結日後，本公司宣佈有條件買賣協議已於二零零六年三月三十一日終止。

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## 財務報表附註

31 December 2005 (in HK Dollars)  
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### 37. EQUITY SETTLED SHARE-BASED TRANSACTIONS

#### (A) Share option scheme

Pursuant to an ordinary resolution passed at a special general meeting of the company held on 21 January 2002, the Company adopted a share option scheme (the "Option Scheme") to replace the share option scheme adopted by the Company on 19 January 2000.

The major terms of the Option Scheme are summarised as follows:

- (a) The purpose was to provide incentives to:
  - (i) award and retain the participants who have made contributions to the Group; or
  - (ii) attract potential candidates to serve the Group for the benefit of the development of the Group.
- (b) The participants included:
  - (i) — any director or proposed director (whether executive or non-executive, including any independent non-executive director), employee or proposed employee (whether full time or part time) of, or
    - any individual for the time being seconded to work for,
  - any member of the Group or any controlling shareholder or any company controlled by a controlling shareholder.
  - (ii) any holder of any securities issued by any member of the Group or any controlling shareholder or any company controlled by a controlling shareholder.
  - (iii) — any business or joint venture partner, contractor, agent or representative of,

### 37. 以股權結算之股份交易

#### (A) 購股權計劃

根據本公司於二零零二年一月二十一日舉行之股東特別大會上通過之一項普通決議案，本公司採納一項購股權計劃（「購股權計劃」）取代本公司於二零零零年一月十九日採納之購股權計劃。

購股權計劃之主要條款概述如下：

- (a) 該計劃之目的在於：
  - (i) 獎勵及挽留曾向本集團作出貢獻之參與者；或
  - (ii) 吸引有可能為本集團服務之人士，以協助本集團發展。
- (b) 該計劃之參與者包括：
  - (i) 在本集團任何成員公司、任何控股股東或由控股股東控制之任何公司任職之下列人士：
    - 任何執行或非執行董事或候任董事（包括任何獨立非執行董事）、全職或兼職僱員或候任僱員，或
    - 任何臨時調派之人士。
  - (ii) 持有本集團任何成員公司、任何控股股東或由控股股東控制之任何公司所發行任何證券之人士。
  - (iii) 本集團任何成員公司、任何控股股東或由控股股東、控制之任何公司任職之下列人士：

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### 37. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

#### (A) Share option scheme (Continued)

(b) (Continued)

(iii) (Continued)

- any person of entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to,
- any supplier, producer or licensor of films, television programmes, video features, goods or services to,
- any customer, licensee (including any sub-licensee) or distributor of films, television programmes, video features, goods or services of, or
- any landlord or tenant (including any sub-tenant) of,

any member of the Group or any controlling shareholder or a company controlled by a controlling shareholder.

and, for the purposes of the Option Scheme, shall include any company controlled by one or more persons belonging to any of the above classes of participants.

### 37. 以股權結算之股份交易 (續)

#### (A) 購股權計劃 (續)

(b) (續)

(iii) (續)

- 為本集團任何成員公司、任何控股股東或由控股股東控制之任何公司之任何業務或合營夥伴、承包商、代理人或代表，
- 向本集團任何成員公司、任何控股股東或由控股股東控制之任何公司提供研究、開發或其他技術支援或任何顧問、諮詢、專業或其他服務之任何人士或公司，
- 向本集團任何成員公司、任何控股股東或由控股股東控制之任何公司提供電影、電視節目、影視產品、貨物或服務之任何供應商、製片商或授權人，
- 本集團任何成員公司、任何控股股東或由控股股東控制之任何公司之電影、電視節目、影視產品、貨物或服務之任何客戶、受權人(包括任何轉授受權人)或發行商，或
- 本集團任何成員公司、任何控股股東或由控股股東控制之任何公司之任何業主或租戶(包括任何分租租戶)。

且就購股權計劃而言，包括由上述任何類別之一位或以上參與者控制之任何公司。

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## 財務報表附註

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### 37. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

#### (A) Share option scheme (Continued)

- (c) The maximum number of shares in respect of which share options might be granted under the Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the Option Scheme and such limit might be refreshed by shareholders in general meeting. The total maximum number of shares which might be issued upon exercise of all outstanding share options granted and yet to be exercised under the Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time. The total number of shares available for issue under the Option Scheme at the date of this annual report was approximately 475,401,800, which represented 9.22% of the issued share capital of the Company at the date of this annual report.
- (d) The maximum number of shares in respect of share which share options might be granted to a participant, when aggregate with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any share option granted to the same participant under the Option Scheme or any other share option scheme within any 12 month period, must not exceed 1% of the shares in issue from time to time.
- (e) The exercise period should be any period fixed by the board of directors upon grant of the share option but in any event the share option period should not go beyond 10 years from the date of offer for grant.
- (f) There was no requirement for a grantee to hold the share option for a certain period before exercising the share option save as determined by the board of directors and provided in the offer of grant of share option.
- (g) The acceptance of a share option, if accepted, must be made within 30 days from the date of grant with a non-refundable payment of HK\$1 from the grantee to the Company.

### 37. 以股權結算之股份交易 (續)

#### (A) 購股權計劃 (續)

- (c) 根據購股權計劃授出之購股權所涉及之股份最高數目，不得超過批准購股權計劃當日本公司已發行股本10%，該等上限或會由股東於股東大會上更改。惟行使根據購股權計劃及任何其他購股權計劃授出而未行使之所有購股權可發行之股份上限總額，不得超過不時已發行股份30%。於本年報日期根據購股權計劃可供發行之股份總數約為475,401,800股，佔本年報日期本公司已發行股本9.22%。
- (d) 每名參與者獲授之購股權所涉及之股份總數，加上其於任何12個月期間內根據購股權計劃或任何其他購股權計劃獲授之任何購股權(包括已行使、尚未行使及已註銷之購股權)而已發行及可發行之股份最高數目，不得超過不時已發行股份1%。
- (e) 行使期為於授出購股權後由董事會釐定之任何期間，惟不得超過建議授出當日起計10年。
- (f) 除董事會釐定及授出購股權建議所規定者外，並無規定承授人於行使購股權前須持有購股權之最短期限。
- (g) 購股權必須於授出日期起計30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港元。

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### 37. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

#### (A) Share option scheme (Continued)

- (h) The exercise price of a share option must be highest of:
- (i) the closing price of the share of the Company on the date of grant which day must be a trading day;
  - (ii) the average closing price of the share of the Company for the 5 trading days immediately preceding the date of grant; and
  - (iii) the nominal value of the share of the Company.
- (i) The life of the Option Scheme is effective for 10 years from the date of adoption until the date of expiry.

The following table discloses details of the Company's share options granted and the Option Scheme held by the employees and movements during the year.

Category of participants 參與者類別	Date of grant 授出日期	Exercise price per share 每股行使價 HK\$ 港元	Exercisable period 行使期 (note i) (附註i)	Number of share options 購股權數目	
				Outstanding at 1 January 2004 and 1 January 2005 於二零零四年一月一日及二零零五年一月一日尚未行使	Outstanding at 31 December 2005 於二零零五年十二月三十一日尚未行使
僱員	8 March 2002 二零零二年三月八日	0.26	8 March 2002 – 7 March 2012 二零零二年三月八日至二零零一二年三月七日	190,000,000	–
僱員	13 December 2004 二零零四年十二月十三日	0.194	13 December 2004 – 12 December 2014 二零零四年十二月十三日至二零零一四年十二月十二日	275,700,000	–
				465,700,000	–

### 37. 以股權結算之股份交易 (續)

#### (A) 購股權計劃 (續)

- (h) 購股權之行使價須為下列之最高者：
- (i) 本公司股份於授出日期(必須為交易日)之收市價；
  - (ii) 本公司股份截至授出當日前5個交易日之平均收市價；及
  - (iii) 本公司股份之面值。
- (i) 購股權計劃之有效期自採納日期起計10年至期滿日。

下表披露本公司於年內所授出之購股權及僱員所持之購股權計劃以及其變動之詳情。

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## 財務報表附註

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### 37. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

#### (A) Share option scheme (Continued)

##### (i) (Continued)

Notes:

- (i) The exercisable period commenced on the date of grant of the relevant share options.
- (ii) No share option was granted, cancelled nor exercised during the year.

#### (B) Share-based payment compensation

Following to the adoption of HKFRS2, Share-based Payment, the fair value of the employee services received in exchange for the grant of the options after 7 November 2002 is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted.

Share options granted under the Option Scheme are not expensed as the options were all vested and not subject to requirements of HKFRS 2.

### 38. RETIREMENT BENEFITS SCHEMES

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 of the MPF Scheme.

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 Contribution"). 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.

### 37. 以股權結算之股份交易 (續)

#### (A) 購股權計劃 (續)

##### (i) (續)

附註：

- (i) 行使期於相關購股權授出日期起生效。
- (ii) 年內並無購股權獲授出、註銷及行使。

#### (B) 以股份形式支付之薪酬

於採納香港財務報告第2號以股份形式支付之款項後，於二零零二年十一月七日後授予購股權所換取之僱員服務之公平值確認為支出。於歸屬期內列作支出之總金額乃參照已授予之購股權之公平值釐定。

根據購股權計劃授出之購股權均不會支銷，原因為該等購股權均已歸屬，且毋須遵守香港財務報告準則第2號之規定。

### 38. 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定額供款退休計劃——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。

根據強積金計劃，僱員均須按其月薪5%（最多以每僱員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。



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## 財務報表附註

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### 39. MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group had the following material transactions with related parties:

- (a) On 5 February 2002, the Group and China Star Group entered into a territory supply agreement whereby China Star Group, during the term of 3 years from 8 April 2002, granted in favour of the Group a first right of refusal to acquire the exclusive distribution rights excluding the theatrical and internet rights in respect of each film in the PRC and Mongolia and an option to acquire the theatrical rights.

Pursuant to the territory supply agreement, the Group paid an amount of HK\$5,000,000 to China Star Group as a deposit for the grant of the first of refusal to acquire the distribution rights and as security for the license fees payable under the territory supply agreement to be entered into. If the Group elects to acquire the distribution rights, a territory distribution agreement in respect of the film will be entered into pursuant to which the Group shall pay a license fee in respect of each film ranging from approximately HK\$200,000 to HK\$1,000,000, calculated by reference to its grading. The distribution rights in respect of a film will be for a period of 10 years. In relation to the option to acquire the theatrical rights, the additional license fee shall be equal to the balance of the total income received by the Group in respect of the exploitation of such theatrical rights before payment of any distribution expenses but after deducting a sum equal to 20% of the said total income which shall be retained by the Group.

During the year ended 31 December 2005, the Group acquired the distribution rights of five films (2004: 10) from China Star Group at a total consideration of approximately HK\$3,600,000 (2004: HK\$8,500,000) and the theatrical rights of five films (2004: six) from China Star Group at a total license fee of approximately HK\$5,347,000 (2004: HK\$4,970,000) pursuant to the relevant territory distribution agreements.

In April 2005, the territory supply agreement expired and China Star Group settled the deposit of HK\$5,000,000 with the Group.

### 39. 重大關連人士交易

年內，本集團之重大關連人士交易如下：

- (a) 本集團於二零零二年二月五日與中國星集團訂立地區供應協議，中國星集團自二零零二年四月八日起計3年內向本集團授出優先購買權，以購買每部電影在中國及蒙古之獨家發行權(不包括放映權及互聯網發行權)及選擇購買放映權。

根據地區供應協議，本集團已向中國星集團支付5,000,000港元之按金，以取得購買發行權之優先購買權，並作為將訂立地區發行協議應付之特許費用保證金。倘本集團選擇購買發行權，則須就電影訂立地區供應協議。根據發行協議，本集團須就每部電影支付按照電影級別計算之特許費用，由約200,000港元至1,000,000港元不等。每部電影之地區發行權為期10年。至於選擇購買其放映權之電影，該放映權應付之額外特許費用將相等於本集團就運用上述放映權所獲總收入(未計發行開支)扣除由本集團保留款項(上述總收入20%)後之餘額。

於截至二零零五年十二月三十一日止年度內，本集團根據有關地區發行協議以總代價約3,600,000港元(二零零四年：8,500,000港元)向中國星集團收購五部電影(二零零四年：十部)之發行權，而本集團亦分別以總特許費用約5,347,000港元(二零零四年：4,970,000港元)向中國星集團收購五部(二零零四年：六部)電影之放映權。

於二零零五年四月，地區供應協議已屆滿，而中國星集團已向本集團支付5,000,000港元之按金。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005 (in HK Dollars)  
二零零五年十二月三十一日 (港元)

### 39. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

- (b) During the year, the Group entered into the following transactions with China Star Group:

Nature of transactions 交易性質	Notes 附註	2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Interest expense 利息支出			
— Loan 一 貸款支出 (i)		100	—
— Convertible notes payable 一 應付可換股債券 (ii)		238	338
Post-production expenses 後期製作支出 (iii)		736	1,781

Notes:

- (i) Interest expense was calculated at 1% per annum in accordance with the terms of the loan of HK\$33,800,000 granted by China Star to the Company.
- (ii) Interest expense was calculated at 1% per annum in accordance with the terms of the convertible notes payable issued by the Company.
- (iii) The post-production expenses were determined at prices agreed between the parties.
- (c) During the year ended 31 December 2004, the Group had interest receivable of HK\$1,600,000 from an associate. The interest was calculated at 1% per annum in accordance with the terms of the convertible notes issued by the associate.

During the year ended 31 December 2005, the Group had no interest receivable from the associate as the Group exercised the right under the convertible notes to convert the outstanding principal amount of HK\$160,000,000 into shares of the associate. Details of amount due from and the convertible notes issued by the associate are set out in notes 11 and 17 to the financial statements.

- (d) During the year ended 31 December 2004, the Group granted the hotel and intranet distribution rights in the PRC in respect of 24 films to an associate at a total consideration of HK\$6,384,000 in accordance with the agreements entered into between the parties.

During the year ended 31 December 2005, the Group did not grant any hotel and intranet distribution rights in respect of films to the associate.

### 39. 重大關連人士交易 (續)

- (b) 本集團年內與中國星集團進行下列交易：

附註：

- (i) 利息開支根據本公司向中國星授出之貸款33,800,000港元之條款按年利率1厘計算。
- (ii) 利息開支根據本公司所發行應付可換股票據之條款按年利率1厘計算。
- (iii) 後期製作服務支出按各方協定之價格釐定。
- (c) 於截至二零零四年十二月三十一日止年度，本集團應收聯營公司之利息約為1,600,000港元。利息根據該聯營公司所發行可換股票據之條款按年利率1厘計算。

於截至二零零五年十二月三十一日止年度，本集團概無因本集團行使可換股票據項下之權利，將未贖回本金額160,000,000港元兌換為該聯營公司之股份，而應向該聯營公司收取之利息。聯營公司發行之可換股票據及應收聯營公司款項之詳情分別載於財務報表附註11及17。

- (d) 於截至二零零四年十二月三十一日止年度，本集團根據雙方訂立之協議向一間聯營公司授出有關24部電影在中國之酒店及內聯網之發行權，總代價為6,384,000港元。

於截至二零零五年十二月三十一日止年度，本集團並無向該聯營公司授出有關電影在酒店及內聯網之發行權。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005 (in HK Dollars)  
二零零五年十二月三十一日(港元)

### 39. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

- (e) On 19 April 2005, the convertible notes of HK\$33,800,000 issued by the Group to China Star Group matured. China Star Group did not exercise the right to convert the outstanding principal amount of HK\$33,800,000 into shares of the Company and the Company repaid HK\$33,800,000 to China Star Group. Details of the convertible notes payable to China Star Group are set out in note 26 to the financial statements.
- (f) On 19 April 2005, China Star granted a one year term loan of HK\$33,800,000 to the Company. The loan is unsecured, interest bearing at 1% per annum and repayable on 19 April 2006. Details of the amount due to China Star are set out in note 24 to the financial statements.
- (g) On 7 July 2007, the Group disposed its leasehold land and buildings to China Star Group at a total consideration of HK\$9,000,000. The consideration was agreed between the parties based on arms' length negotiations with reference to a property valuation done by an independent firm of professional chartered surveyors appointed by China Star Group.

The board of directors of the Company (including the independent non-executive directors) considered the terms of the disposal to be on normal commercial terms and fair and reasonable and in the interests of the Company's shareholders.

The disposal constitutes a discloseable and connected transaction for the Company under the Chapter 14 of the Listing Rules. Please refer to the Company's announcement dated 7 July 2005 and circular dated 29 July 2005 for details.

- (h) Details of the amounts due to China Star Group are set out in note 24 to the financial statements.

### 39. 重大關連人士交易 (續)

- (e) 於二零零五年四月十九日，本公司向中國星集團發行之33,800,000港元之可換股票據到期。中國星集團並無行使權利將未贖回本金額33,800,000港元兌換為本公司股份，故本公司向中國星集團償還33,800,000港元。應付中國星集團之可換股票據之詳情載於財務報表附註26。
- (f) 於二零零五年四月十九日，中國星向本公司授予為期一年之貸款33,800,000港元。該筆貸款為無抵押、按年利率1厘計息及須於二零零五年四月十九日償還。應付中國星款項之詳情載於財務報表附註24。
- (g) 於二零零五年七月七日，本集團向中國星集團出售其租賃土地及樓宇，總代價為9,000,000港元。代價乃由訂約方經參考由中國星集團所委任之獨立專業特許測量師公司所作之物業估值及公平磋商後協定。

本公司董事會(包括獨立非執行董事)認為，出售之條款將為一般商業條款，且屬公平合理，並符合本公司股東之利益。

根據上市規則第14章，出售構成本公司之須予披露及關連交易。詳情請參閱本公司分別於二零零五年七月七日及二零零五年七月二十九日刊發之公佈及通函。

- (h) 應付中國星款項之詳情載於財務報表附註24。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005 (in HK Dollars)  
二零零五年十二月三十一日(港元)

### 39. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

#### (i) Compensation for key personnel management

Remuneration for key personnel management, including amount paid to the Company's directors and certain of the highest paid employee, as disclosed in notes 31 and 32 to the financial statements, is as follows:

		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Salaries	薪金	3,276	3,186
Contribution to retirement benefits scheme	退休福利計劃供款	36	36
		3,312	3,222

### 39. 重大關連人士交易 (續)

#### (i) 主要管理人員薪酬

主要管理人員薪酬(包括附註31及附註32所披露支付予本公司董事及若干最高薪僱員之金額)如下:

### 40. LITIGATION

At the date of this annual report, save as disclosed below, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the directors to be pending or threatened against any member of the Group.

The Commissioner of Inland Revenue had issued proceedings on 30 March 2005 against OSLL, a subsidiary of the Company, in respect of an aggregate amount of outstanding taxation of HK\$13,928,226 in respect of the years of assessments from 1998/1999 to 2000/2001. Provision for this amount has been made in the Group's audited financial statements for the year ended 31 December 2005 and OSLL is currently in discussions with the Inland Revenue Department as to whether such taxation is payable and how to settle this matter.

### 40. 訴訟

於年報日期，除下文所披露者外，本公司或其任何附屬公司並無涉及任何重大訴訟或仲裁，而就董事所知，本集團任何成員公司概無待決或面臨重大訴訟或申索。

於二零零五年三月三十日，稅務局局長就截至一九九八／一九九九年度至二零零零／二零零一年度止財政年度之未繳付稅項合共13,928,226港元向本公司附屬公司OSLL提出法律行動。本公司已於截至二零零五年十二月三十一日止年度之經審核財務報表中就該數額作出撥備，而本公司現正與稅務局商討該筆稅項是否應付及如何解決有關問題。

# NOTES TO THE FINANCIAL STATEMENTS

## 財務報表附註

31 December 2005 (in HK Dollars)  
二零零五年十二月三十一日(港元)

### 41. SUBSEQUENT EVENTS

- (i) On 17 February 2006, the Group entered into a conditional sale and purchase agreement with Northbay Investments Holdings Limited, pursuant to which the Group would acquire 100% interest in Shinhan-Golden Faith International Development Limited and a sale loan, at an aggregate consideration of approximately HK\$266,064,350. The consideration shall be satisfied by the allotment and issue of 1,330,321,745 shares issued at HK\$0.20 per share. Please refer to the Company's announcement dated 23 February 2006 for details.
- (ii) On 9 April 2005, the Group entered into a conditional sale and purchase agreement with Leadfirst Limited, a company wholly-owned by Mr. Benny Ki, as a seller, and Mr. Benny Ki, as a guarantor, pursuant to which the Group agreed to acquire 100% of the issued share capital of Best Winning Group Limited from Leadfirst Limited at a consideration of HK\$600,000,000. Subsequent to the year end, the Group announced that the conditional sale and purchase agreement ceased and determined on 31 March 2006. Please refer to the Company's announcement dated 31 March 2006 for details.

On 19 April 2006, the Company announced that the repayment date of the initial deposit and further deposit totaling HK\$40,000,0000 in regard to the aforementioned deal, will be extended to a date falling on or before 30 April 2006, of which constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is also subject to the disclosure requirement under Rule 13.13 of the Listing Rules. The initial deposit and further deposit shall be refunded to the Group on or before 30 April 2006 with interest accruing thereon at the rate of 6% per annum. Please refer to the Company's announcement dated 19 April 2006 for details.

### 42. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of new HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

### 43. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 24 April 2006.

### 41. 結算日後事項

- (i) 於二零零六年二月十七日，本集團與 Northbay Investments Holdings Limited 訂立有條件買賣協議，據此，本集團將按總代價約 266,064,350 港元收購 Shinhan-Golden Faith International Development Limited 之全部權益。代價將以按每股 0.20 港元配發及發行 1,330,321,745 股股份支付。
- (ii) 於二零零五年四月九日，本集團與紀寶明先生之全資公司 Leadfirst Limited (作為買方) 及紀寶明 (作為保證人) 先生訂立有條件買賣協議，據此，本集團同意按代價 600,000,000 港元向 Leadfirst Limited 購買 Best Winning Group Limited 全部已發行股本。於年終後，本集團於二零零六年三十一日，公佈有條件買賣協議經已終止。詳情請參閱於二零零六年三月三十一日發出之公佈。

於二零零六年四月十九日，本公司宣佈，有關上述交易之初步按金及進一步按金總數 40,000,000 港元之還款日期將延長至二零零六年四月三十日或之前，此舉構成上市規則第 14 章下之須予披露交易及須遵守上市規則第 13.13 條之披露要求。初步按金及進一步按金連其後利息年利率六厘將於二零零六年四月三十日或之前退還予本集團。詳情請參閱本公司於二零零六年四月十九日刊發之公佈。

### 42. 比較數字

誠如財務報表附註 2 所進一步闡釋，由於本年度採納新香港財務報告準則，故財務報表中若干項目及結餘之會計處理方法及呈列方式經已作出修訂，以符合新規定。因此，比較數字經已重新分類及重列，以符合本年度之呈列方式及會計處理方法。

### 43. 批准財務報表

財務報表已於二零零六年四月二十四日經董事會批准。

# FIVE YEARS FINANCIAL SUMMARY

## 五年財務概要

31 December 2005

二零零五年十二月三十一日

		For the year ended 31 December 截至十二月三十一日止年度				
		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元 (restated) (重列) (Note) (附註)	2003 二零零三年 HK\$'000 千港元 (restated) (重列) (Note) (附註)	2002 二零零二年 HK\$'000 千港元	2001 二零零一年 HK\$'000 千港元
<b>Results</b>	<b>業績</b>					
Turnover	營業額	38,339	58,382	206,996	89,443	28,007
(Loss)/profit from operations	經營(虧損)/溢利	(29,324)	(267,730)	116,467	(25,131)	(100,541)
Loss on disposal of a subsidiary	出售附屬公司之虧損	—	—	—	(1,100)	—
Finance costs	融資費用	(340)	(340)	(340)	(240)	(190)
(Loss)/profit before taxation	除稅前(虧損)/溢利	(29,664)	(268,070)	116,127	(26,471)	(100,731)
Taxation (charge)/credit	稅項(支出)/抵免	—	(277)	1,040	1,186	2,234
Net (loss)/profit for the year	本年度(虧損)/溢利淨額	(29,664)	(268,347)	117,167	(25,285)	(98,497)
Dividends	股息	—	—	—	—	—
<b>Assets and liabilities</b>	<b>資產與負債</b>					
		At 31 December 於十二月三十一日				
		2005 二零零五年 HK\$'000 港元	2004 二零零四年 HK\$'000 港元	2003 二零零三年 HK\$'000 港元	2002 二零零二年 HK\$'000 港元	2001 二零零一年 HK\$'000 港元
Total assets	資產總值	235,227	132,881	445,616	331,492	272,852
Total liabilities	負債總額	(67,617)	(64,310)	(109,446)	(111,388)	(26,589)
Total equity	股東資金	167,610	68,571	336,170	220,104	246,263

Note: The figures for 2003 and 2004 have been restated to reflect the prior year adjustment arising from reclassification of leasehold interests in land to prepaid lease payments under operating leases according to HKAS 17.

附註：2003年及2004年之數字已重列以反映根據香港會計準則第17號將租賃土地權益重新分類為經營租約之預付經營租約租金產生之以往年度調整。



## RICHE MULTI-MEDIA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

豐采多媒體集團有限公司

(於百慕達註冊成立之有限公司)

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