

UNIVERSE

MANAGEMENT DISCUSSION AND ANALYSIS

業務回顧

於回顧年度，管理層透過不同商業策略擴展營運，致力將集團轉型成為全面娛樂內容供應商，並成功提升電影製作數量，擴大節目庫存量，更與外國著名片商建立合作關係，為集團旗下影片作海外戲院上畫及電影發行奠定良好基礎。與此同時，集團亦積極增強錄像發行，授出版權及轉授版權等核心業務的發展。



Review of Operations

During the year under review, the management has employed a mix of business strategies to expand the Group's operations, spurred on by its pledge of transforming the Group into an all-round entertainment content provider. The Group has enlarged its film production capacity, expanded stock titles in its content library and established alliances with famous studios overseas for international theatrical release of films and film distribution. At the same time, the Group has been equally dedicated to strengthening its core business in video distribution, licensing and sub-licensing.

營業額

截至二零零一年六月三十日止，雖然市場競爭環境激烈，集團之全年營業額約達港幣307,000,000元，較去年同期攀升8.4%。股東應佔溢利則下降34.2%至約港幣40,000,000元，此乃因為集團於電影製作上增加投資，而需要使用財政資源作為支付前期費用作影片宣傳和電影院放映之用，惟年內製作之電影的全面商業價值與回報，將透過不同收入來源，包括錄像發行及授出版權，於未來幾年的業績中反映。

Turnover

During the financial year ended 30 June 2001, despite intense market competition, the Group recorded a turnover of HK\$307 million, representing an increase of 8.4% over the same period last year. The Group's profit attributable to shareholders nevertheless experienced a decrease of 34.2% to HK\$40 million. This was due to our increased investment in film production, which requires up front deployment of financial resources to cover promotion and theatrical release costs. However, the full commercial value and return of films produced during this year will be reflected in the results of coming years via different streams of revenue such as video distribution and licensing.

財務成本

財務成本因集團擴大其經營規模與及增加節目庫投資而較去年同期上升137.6%。

Finance Costs

Finance costs rose by more than 137.6% compared with the same period last year as the Group expanded its scale of operations and increased its content investment.



業務地域分析

集團以香港為基地，本地市場是集團營運收入的主要來源，約佔二零零一年財政年度總營業額的91%。於回顧年內，香港及澳門兩地的收入約達港幣279,000,000元，較二零零零年財政年度之港幣264,000,000元上升5.8%，此有賴集團致力開拓銷售及發行網絡，製作及採購切合本地觀眾口味的錄像節目。

近年來，管理層矢志拓展海外銷售發行網絡，令海外市場收入在整體營業額中比重日增。於回顧年度，海外市場的營業額約為港幣28,000,000元，約佔集團總營業額的9%。比去年同期上升了44.2%，管理層清晰掌握業務發展方向，進軍電影製作，讓集團的海外授出版權業務運作擁有更大的自主權和自由度，因而令澳洲、印尼、馬來西亞、泰國及日本的營業額錄得超越一倍的增長，韓國及新加坡業務更分別飆升40倍和125倍。



Analysis by Geographical Area

As the Group is based in Hong Kong, the local market is a dominant source of revenue for our operations, accounting for approximately 91% of the total revenue in financial year 2001. As a result of our efforts to expand our sales and distribution network as well as the ability of producing and acquiring content targetted at local audience, income from Hong Kong and Macau generated during the year under review reached HK\$279 million, representing an increase of 5.8% when compared to HK\$264 million recorded in financial year 2000.

In recent years, the overseas market has increasingly taken up a larger portion of the Group's turnover as a result of the management's determination to expand its sales and distribution network abroad. During the year under review, overseas sales amounted to approximately HK\$28 million, or about 9% of the Group's total turnover representing a growth rate of 44.2% over the previous year. The management's decision to venture into film production has given the Group greater autonomy and freedom in overseas licensing thus pushing sales from Australia, Indonesia, Malaysia, Thailand and Japan to triple-digit growth, while turnover from Korea and Singapore soared 40 times and 125 times respectively.



業務範疇分析

錄像發行

作為公司的核心業務，錄像發行的收入佔總營業額的71%。VCD和DVD的全年營業額合共約達港幣218,000,000元，較上一個財政年度上升8.6%。有此佳績，全賴本集團電影製作策略之成功及購買本地與外國著名娛樂影視節目（「影視節目」）所致。

由於VCD播放機的銷售已進入飽和狀態，而DVD亦以影像質素更勝一籌而日漸流行，因而VCD的銷售數字錄得2.5%的平穩增長，約為港幣185,000,000元。反觀DVD在二零零一年則有極佳的銷量，約達港幣33,000,000元，較上個財政年度大幅上升62.9%，此增長表現符合管理層的預期。

於本回顧年度，集團共發行超過四百套本地和外國影視節目。

授出版權與轉授版權

於二零零一年財政年度，授出版權與轉授版權業務的收入共佔總營業額21.7%，約達港幣67,000,000元，較去年同期增長8.8%，此有賴集團廣泛地儲存多元化的影視節目。



Analysis by Business Operations

Video Distribution

As the Group's mainstay, video distribution contributed 71% of the total turnover. Sales from VCD and DVD formats totaled HK\$218 million, representing an increase of 8.6% over the last financial year. This growth is attributable to the success of our film production strategy and ability to acquire famous local and foreign entertainment programmes (the "Titles").

Given the saturated growth of VCD players in recent years and the increasing popularity of DVDs which offer better visual quality, sales of VCDs experienced a modest growth of 2.5% to HK\$185 million. On the other hand, sales of DVDs fared extremely well in year 2001 to HK\$33 million, up 62.9% compared to the last financial year, which is in line with the management's expectations.

During the year under review, the Group distributed over 400 new local and foreign Titles.

Licensing and Sub-licensing

During financial year 2001, licensing and sub-licensing business, accounting for 21.7% of the total turnover, increased by 8.8% to HK\$67 million, due to the contribution of our extensive collection of Titles.



集團的節目庫堪稱蘊藏了香港最富娛樂性及多元化的節目元素，藏量逐年遞增，並加入不少著名影視節目，如「少林足球」、「情迷大話王」、「重裝警察」和「Bad Boy特攻」，令集團擁有無可比擬的娛樂經典，藏量價值與日俱增。

於回顧年度，集團繼續努力不懈地擴展發行網絡，現已覆蓋香港、中國、台灣、澳門、泰國、馬來西亞、新加坡、日本、印尼、澳洲、紐西蘭、加拿大、美國和多個東歐國家。

光碟複製

在集團推行業務多元化的計劃中，光碟複製乃十分重要的一環。該項目於二零零一年財政年度收入約達港幣9,000,000，較去年同期增加94%。

光碟複製業務能夠蒸蒸日上，實與集團為客戶提供一站式服務有關，可成功吸引雜誌出版商及多媒體製作公司的訂單。

電影製作與影片發行

在二零零零年之前，集團節目庫的擴張主要透過購買影視節目之有限權利及時限權利進行。及後，管理層採取新策略以製作及購買影視節目「永久權利」和「全部權利」的形式來擴大節目庫，讓集團能夠在不受版權使用時間限制的情況下，能在多個地區以不同制式進行發行及轉授版權。除此以外，電影製作亦被視為拓展授出版權業務的強大動力，對推動集團的長遠發展具有重大意義。

Our content library boasts one of Hong Kong's most entertaining and diverse mix of Titles. Each year we add some notable Titles, such as "Shaolin Soccer", "Everyday is Valentine", "Hit Team" and "For Bad Boy Only", which enhance our unmatched collection of entertainment classics and whose worth will only increase.

During the year, we also continued our energetic efforts to extend the reach of our distribution network, which now covers Hong Kong, the People's Republic of China (the "PRC"), Taiwan, Macau, Thailand, Malaysia, Singapore, Japan, Indonesia, Australia, New Zealand, Canada, the US and Eastern Europe.

Optical Disc Replication

The optical disc replication operation is an important step in realizing our strategy of business diversification. A revenue of HK\$9 million was generated in financial year 2001, representing an increase of 94% over that of last year.

The growth in the optical disc replication service is due to the Group's ability to attract new orders from magazine publishers and multimedia production houses by the provision of "one-stop" service.

Film Production and Film Exhibition

Prior to 2000, expansion of the Group's content library had been achieved mainly through acquisition of content with limited rights and license period. Since then, the management has adopted new strategy to produce and acquire Titles with perpetual rights and all rights which enable the Group to distribute and sub-license them in various territories and formats for an unlimited time period. Film production is considered vital to expand the licensing business to help fuel the long-term growth of the Group.



在計劃電影製作的過程中，管理層謹慎地選取適合的題材和內容，更會考慮不同地域觀眾的口味和愛好，以求降低風險，提高回報。

電影製作與錄像發行及授出版權的發展環迴緊扣，對拓展海外市場尤為重要。於回顧年內製作的不少電影已透過集團強大的發行網絡，售予海外買家。因此，絕大部分的海外市場業績皆有驕人增長。

在電影的製作成本及內容監控方面，集團一貫採取十分嚴謹的態度，定下一系列精密計算的預算指引並加以遵守。集團深明本地和國際觀眾口味有別，故會針對不同市場需求開拍影片，集團於未來將緊守此電影製作方針。

集團致力電影製作，為集團在電影放映方面帶來約港幣10,000,000元收入，較去年同期上升20.4%。除了安排本身的製作上畫，集團在本財政年度更安排了一系列外國影片在香港上映。

雖然電影製作對集團長遠發展極為有利，但此項投資最關鍵的特點，是電影上映首年所獲取的收入及利潤相對較低，並未能充分反映其商業回報價值，原因在於影片上映時需要支付一筆前期宣傳及推廣費用，但電影之收入及利潤則需待數年時間透過發行及版權授出才作全面反映。

During the course of planning, the management carefully selected appropriate themes and contents for our own productions in line with the tastes and preferences of the audience in different territories in order to maximize return and minimize risk.

Since film production is tied to the development of video distribution and licensing, especially for overseas expansion, many of the films produced during the year were distributed to overseas licenses via our strengthened distribution network. As a result, turnover from most of our overseas markets has grown tremendously.

The Group, though, continues to keep a very watchful eye on cost and content control, following a carefully-formulated set of budget guidelines. Keeping in mind the various viewing tastes of both local and international audiences, the Group is able to produce movies targetted at specific market segments. This strategy will remain fundamental to the Group's future plans for film production.

The Group's dedication to film production has brought about a revenue of HK\$10 million in the form of film exhibition during the year under review, representing an increase of 20.4% compared to last year. Apart from in-house productions, the Group also exhibited an array of foreign films in current financial year.

Notwithstanding, the benefits of film production, a key characteristic of such investment is that the resulting contribution to sales and profit in the first year of theatrical release is comparatively lower and does not reflect the full commercial return from such investment. This is due to promotion and other costs relating to theatrical release being incurred up front while revenue as well as profit from the films will only be fully realized upon subsequent distribution and licensing over the next few years.



於回顧年度，集團製作超過三十部電影，對比去年同期多出接近2倍。而根據前述的原因，此項投資令集團的經營溢利率受到影響因而下降。

在評估電影製作投資利潤的時候，集團會明確訂下於一年半至三年內全面收回包括宣傳經費的成本目標。由於集團預期來年的電影投資額將漸趨穩定，以往製作電影的收入將可彌補拍片支出，經營溢利率將會因此得以改善。

前瞻

展望

藉着不斷開拓新的市場商機及擴充節目庫，我們有信心集團可在錄像與授出版權及轉授版權市場保持領導地位。

錄像發行

在錄像發行方面，集團預期DVD銷量會出現可觀的增長，因為DVD制式已成為價格大眾化的優質影視產品。DVD機的廣泛流

During the year under review, the Group has produced more than 30 films which is increased by nearly 2 times as compared with previous year. As explained above, however, the financial impact has resulted in a decline in the Group's operating margin.

In assessing the profitability of film production investment, the Group typically aims to recoup the full cost of investment, including all costs relating to theatrical release, within one and a half to three years. As the amount of investment in film production is expected to stabilize in the coming years, the operating margins for film production and exhibition should improve where the adverse impact is more than offset by the benefits.

Prospects

Outlook

We are confident that the Group is well positioned to maintain our industry-leading position in video distribution, licensing as well as sub-licensing by exploring new market opportunities and expanding content library.

Video distribution

For video distribution, we expect DVD sales to post impressive growth over the next few years since this video format has become the premium medium to provide viewers with quality images at an affordable price. The widespread popularity of DVD players will provide an additional boost to our sales of DVDs. The management also believes, sales of VCDs will remain stable, since this format has been widely viewed as a highly cost-effective and useful medium to disseminate information similar to that of magazines and books with the added advantage of more graphics and enhanced visual presentation. VCDs are now not just limited to film entertainment, but also infotainment. Accordingly, we are confident that there will still be a continuous growth of this format in the future. To capitalize

行，將為集團的DVD銷售帶來更大的增長。與此同時，管理層相信VCD銷售量會保持平穩，由於此制式已被視為極符合成本效益的媒體，能發揮類似雜誌和書籍發放資料的功能，但又能提供更多的圖像和更佳視覺效果，因此VCD已不單只提供電影娛樂，亦包含了豐富的資訊娛樂內容。因此，我們深信VCD未來的銷量仍能維持增長。集團把握此一趨勢和商機，將繼續製作具教育內容的資訊娛樂類型VCD。

授出版權和轉授版權

管理層預期在2002年於香港推出的數個收費電視頻道，在未來數年為集團的授出版權及轉授版權業務帶來可觀的增長。有關集團旗下影視節目版權的洽談現正順利進行。此外，近年數個以海外華人為目標市場的衛星電視頻道之設立，亦擴大了華語節目的需求。因此集團將與客戶緊密合作，捕捉海外目標市場口味的轉變，協助客戶擴展其市場，從而幫助集團擴充海外發行網絡。

電影製作

展望未來，集團將繼續通過電影製作，來擴大集團的節目庫，以獲取包括錄像發行、授出版權、轉授版權及電影播映的收益。在下一個財政年度，集團擬製作約40部華語影片及約100小時之錄像節目。

中國市場商機

由於預期中國快將加入世界貿易組織（“世貿”），全球目光都會聚焦在這個潛力豐厚的市場。藉着過去多年與中國的音像出版社建立的良好網絡以及與內地電影製作公司合作攝製「少林足球」所獲取的寶貴經驗，已在中國市場建立穩固基礎，一俟中

on this trend, the Group will continue the efforts on the production of more infotainment content for VCD distribution.

Licensing and sub-licensing

In addition, the management expects licensing and sub-licensing business to register promising growth over the next few years, due to the expected launch of a few PayTV channels in Hong Kong in 2002. Deals for the broadcast of Titles owned by the Group are well underway. The creation of satellite TV channels targeting overseas Chinese in recent years has also increased the demand for Chinese-language content. The Group thus aims to extend its overseas distribution network further by working closely with them to meet the changing tastes of their target audiences, helping them to extend their reach.

Film production

In future, the Group will continue with the strategy to expand its content library through investment in film production to generate its multiple streams of revenue including video distribution, licensing, sub-licensing and film exhibition. It is planned that about 40 Chinese language films and about 100 hours of video programmes will be produced in the next financial year.

Opportunities in the PRC

As the PRC is expected to enter the World Trade Organization (the “WTO”) very soon, all eyes around the world are focusing on this huge potential market. With the well-established network built up with publishing houses in the PRC over the past years, together with the experience gained from the co-operation with production company during the shooting of “Shaolin Soccer” in the PRC,



國官方放寬進入市場及經營方面的限制，集團將在中國市場大展宏圖。『少林足球』打破香港票房紀錄後，預期快將在中國上畫，基於『少林足球』在香港票房獲得空前成功，集團預期該片在中國亦將大收旺場。隨著中國進

入世貿，傳媒及娛樂事業規限將獲得放寬，有意進軍中國市場的國際傳媒集團將抓緊機會，積極進軍中國市場，這將為集團的電影發行及轉授版權業務帶來莫大商機。中國龐大的娛樂事業市場，也令不少荷里活大片商虎視眈眈，願意投以鉅資與香港及中國電影公司進行合資製作，拍攝切合中國觀眾口味的片種在內地上映。華語片的逐漸流行，顯示荷里活片商投資的華語片可打入西方市場，直接刺激外商投資華語片的興趣，這對集團未來的發展極為有利。集團將尋求機會與世界各地著名片商合作，這包括來自荷里活、日本、韓國及中國的電影製作公司。

進軍國際市場

『少林足球』的成功，不單會在電影放映方面帶來豐厚收益，並會於未來數年為集團在本地及海外的錄像發行及轉授版權業務帶來極大裨益。集團更可以借此鉅片為踏腳石，打開國際市場，透過與荷里活強大的影片發行公司Miramax合作，安排『少林足球』將於明年在美國及全球公映。



the Group has laid a solid foundation to step up its operations in the PRC once the barriers to enter and operate in the market have been lifted. “Shaolin Soccer”, the Group’s biggest-ever hit in Hong Kong, will be shown to cinema audiences across the PRC soon. Given the Hong Kong audience’s overwhelming response to this mega production, the management expects the movie to gross huge box office taking in the PRC. After the PRC’s accession to the WTO, the deregulation of the media and entertainment industry in the PRC will definitely attract international media corporations trying their best to take a share in such a gigantic market. This situation will create great opportunities for the Group’s film distribution and sub-licensing business. The PRC’s huge potential market is expected to lure many big Hollywood studios to invest substantially in joint productions with Hong Kong and PRC film-makers, tailoring movies for Chinese audience. The increasing popularity of Chinese-language films has also made it easier for Chinese language films financed by Hollywood studios to find their way to the West. This has undoubtedly increased international interest in investing in Chinese films which will benefit the Group in the future. Thus, the Group will look for opportunities to enter into joint production with renowned studios from Hollywood, Japan, Korea and the PRC.

Internationalization

“Shaolin Soccer” will not only generate substantial income for film exhibition, but also will boost video distribution and film distribution in both local and overseas markets over the next few years. The Group will also be able to use the film as a stepping stone to achieve a greater international presence since it will be shown on big screens in the US and to a worldwide audience next year, assisted by Miramax Films Corporation, Hollywood’s film distribution powerhouse.

結語

展望將來，憑着集團的超卓能力及在娛樂事業的市場領導地位，我們有信心集團能面對各項挑戰，在來年繼續發展。

財務資源／流動資金及資本結構

於二零零一年六月三十日，本集團之現金結存約為港幣58,000,000元及未使用銀行融資約為港幣36,000,000元。

年內本集團向Multimedia Group Limited (由滙豐直接投資(亞洲)有限公司所管理基金全資擁有之公司)發行7,000,000美元無抵押可換股票據(「票據」)，藉以提供資金作為籌集擴大節目庫所用。因此，負債比率在發行該等票據後增至44%(二零零零年：33%)。倘該等票據於二零零一年六月三十日或之前全數兌換為本公司之股份，負債比率應可減至17%(二零零零年：不適用)。

於二零零一年六月三十日，本集團之淨流動資產值約為港幣190,000,000元，比去年增加約港幣84,000,000元。負債比率乃根據本集團之長期銀行貸款約為港幣51,000,000元可換股票據約為港幣54,000,000元之總和及股東權益約為港幣237,000,000元計算。

Conclusion

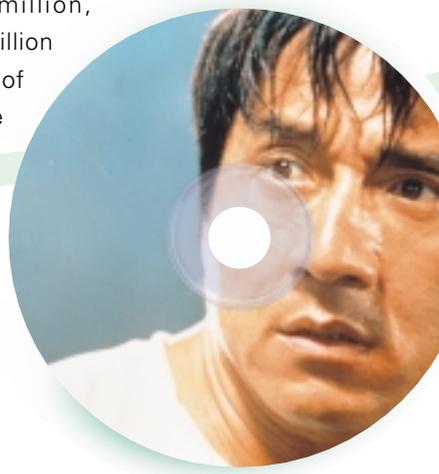
Looking ahead, we are confident that the Group's exceptional expertise and leading position in the entertainment industry will enable us to meet challenges ahead and continue to grow in the coming years.

Financial Resources/Liquidity and Capital Structure

As at 30th June 2001, the Group had cash balances of HK\$58 million and unutilized banking facilities amounted to approximately HK\$36 million.

During the year, the Group issued US\$7 million unsecured convertible notes (the "Note") to Multimedia Group Limited, a company wholly-owned by a fund under the management of HSBC Private Equity (Asia) Limited, providing funding for content library expansion. Consequently, gearing ratio after the issuance of the Note increased to 44% (2000: 33%). The gearing ratio would have dropped to 17% (2000: Nil) if the Notes had been fully converted into the Company's shares on or before 30th June 2001.

As at 30th June 2001, the Group had net current asset value of approximately HK\$190 million, representing an increase of HK\$84 million over the previous year. The calculation of gearing ratio is based on the sum of the Group's long term bank borrowings of approximately HK\$51 million and convertible notes of approximately HK\$54 million, and on the shareholders fund of approximately HK\$237 million.



僱員

於二零零一年六月三十日，本集團僱用234名員工。工資將每年作出評審及若干員工會獲支付佣金。除基本薪金外，員工福利包括酌情發放花紅，醫療保險計劃及強制性公積金。



審核委員會

本公司參考香港會計師公會出版之「成立審核委員會指引」編訂及採納詳述審核委員會權力及職責之書面職權範圍。

審核委員會乃董事會與本集團核數師就集團審核事務進行溝通之重要聯繫，亦負責檢討外界審核、內部監控及風險評估各方面之成效。審核委員會由三名非執行董事組成，即伍國棟、趙善改及鄧耀榮諸位先生。於本財政年度內已召開兩次會議。

最佳應用守則

就本公司各董事所知，並無任何資料顯示本公司截至二零零一年六月三十日止年度內不遵守聯交所上市規則附錄14所載之最佳應用守則。

買賣或贖回本公司之上市證券

本公司於年內並無贖回任何股份。本公司與其任何附屬公司年內概無購買或出售本公司任何上市證券。

Employees

As at 30th June 2001, the Group employed 234 staffs. Remuneration is reviewed annually and certain staff are entitled to commission. In addition to the basic salaries, staff benefits include discretionary bonus, medical insurance scheme and mandatory provident fund.

Audit Committee

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board of the Directors and the Group's auditors in matters coming within the scope of the Group's audit. It also reviews the effectiveness of the external audit, internal controls and risk evaluation. The Audit Committee comprises three non-executive directors, namely Messrs. NG Kwok Tung, CHIU Shin Koi and TANG Yiu Wing. Two meetings were held during the current financial year.

Code of Best Practice

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of in the Listing Rules of the Stock Exchange for the year ended 30th June 2001.

Purchase, Sale or Redemption of the Company's Listed Securities

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

