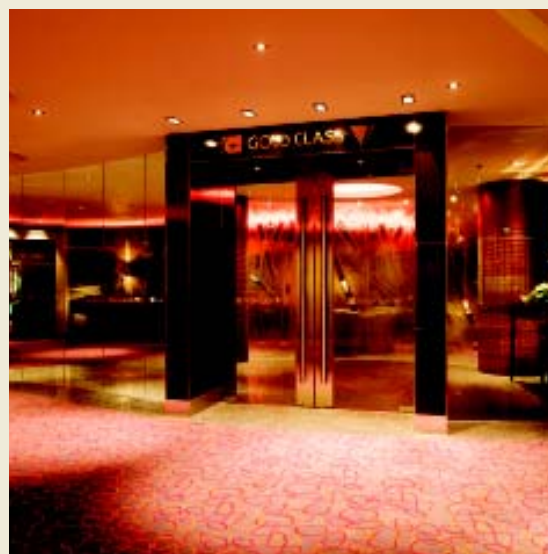
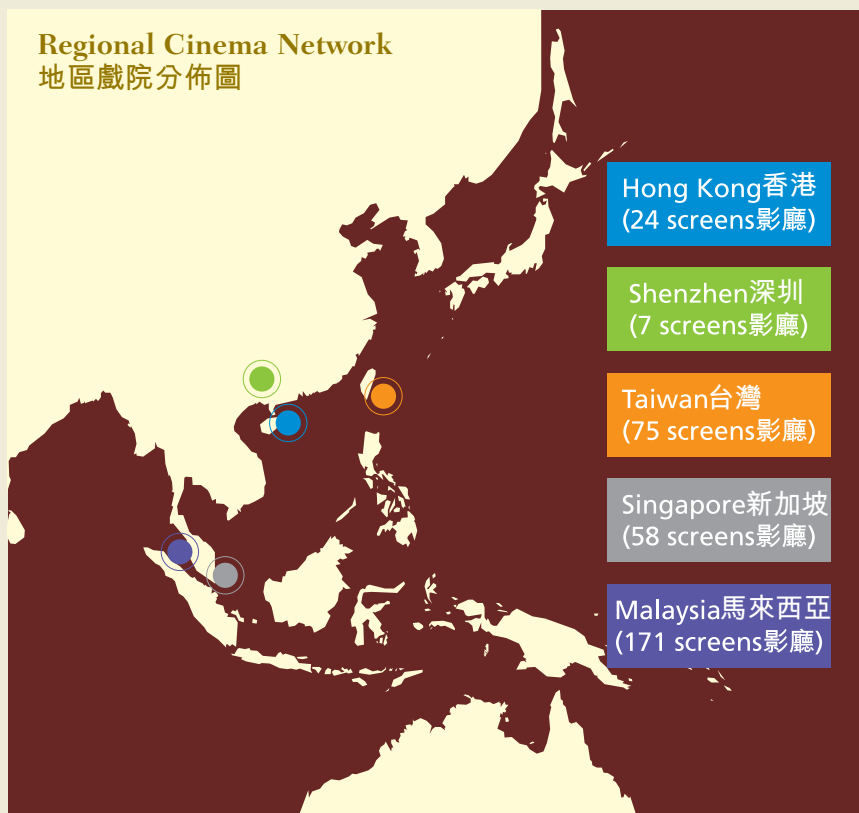


## Management Discussion and Analysis

### 管理層討論及分析

#### Regional Cinema Network 地區戲院分佈圖



#### REVIEW OF OPERATIONS

The economic recovery across the Asian region over the last few years has been beneficial to the film and entertainment industry as a whole, and is reflected in the continued growth of box office receipts across our territories.

For the year under review, the Group's result has shown substantial improvement and recorded \$5.2 million profit after tax. The turnaround result was principally contributed by our exhibition and distribution businesses in Hong Kong and overseas territories, including our new investments in Shenzhen and Taiwan whose full year results we have started to account for the first time this year. Furthermore, in order to improve operating results in Hong Kong, we have closed down a loss-making cinema by terminating the lease early.

The Group is now a leading cinema operator in the Asian region – operating 47 cinemas with 335 screens across Singapore, Malaysia, Taiwan, Shenzhen and Hong Kong.

#### FINANCE

The Group reported a profit of HK\$5.2 million for the year, as compared to a loss of HK\$12.9 million last year. This was

#### 業務回顧

過去數年，亞洲區經濟復甦，有利於電影及娛樂業整體發展，此情況自區內電影票房收入持續攀升可見一斑。

於回顧年內，本集團業績顯著改善，錄得除稅後溢利5,200,000元。業績轉虧為盈，主要由於本集團於香港及海外地區之戲院及發行業務帶來貢獻，其中包括本集團於深圳及台灣之新投資，其全年業績於年內開始首次入賬。此外，為提高香港之經營業績，本集團已透過終止租約結束一間錄得虧損之戲院。

本集團現為亞洲區具領導地位之戲院營辦商，經營47家影城，共335個影廳，遍佈新加坡、馬來西亞、台灣、深圳及香港各地。

#### 財務

本集團年內錄得溢利5,200,000港元，而去年則錄得虧損12,900,000港元，主要原因為



primarily due to the improvement of results in Hong Kong, as well as contributions from our new investments in Taiwan and Shenzhen.

香港業績改善，加上於台灣與深圳之新投資帶來貢獻。

Excluding the effect of proportionate consolidation, which is explained below, the Group's revenue and gross profit increased by HK\$23 million, mainly attributable to our new cinema in Shenzhen and improved results in distributing non-Chinese language films.

如不計及下文所闡釋比例綜合法之影響，本集團之收益及毛利均上升23,000,000港元，主要源自位於深圳之新影城及發行非華語電影之業績改善。

In accordance with the requirements of new accounting standards, the Group has proportionately consolidated the financial statements of the jointly-controlled entities in Taiwan and Malaysia (namely Warner Village Cinemas Co., Ltd. ("WVT") and TGV Cinemas Sdn. Bhd. ("TGV")). Whilst the net assets value and net results of the Group are not affected, the figures of individual items such as revenue, cost of sales, property, plant and equipment, accounts payable and accrued liabilities etc. were all significantly affected this year as a result of proportionate consolidation.

根據新訂會計準則之規定，本集團已按比例綜合法計算位於台灣及馬來西亞之共同控制公司華納威秀電影公司（「華納威秀」）及TGV Cinemas Sdn. Bhd.（「TGV」）之財務報表。儘管本集團之資產淨值及業績淨額未受影響，然而，收益、銷售成本、物業、廠房與設備、應付賬款及應計負債等個別項目之金額均由於按比例綜合法計算而於本年度受到重大影響。

As a result of proportionate consolidation of our jointly-controlled entities in Taiwan and Malaysia, the Group's revenue and gross profit have doubled to HK\$512 million and HK\$280 million respectively.

由於按比例綜合法計算於台灣及馬來西亞之共同控制公司，本集團之收益及毛利分別倍增至512,000,000港元及280,000,000港元。

As of 30 June 2006, the Group had net current liabilities of HK\$79 million, with cash on hand of HK\$56 million. Subsequent to the balance sheet date, the Group raised approximately HK\$99 million from the issuance of convertible notes (as disclosed in the notes 38(a) to the financial statements). The Group intends to apply the proceeds for investments in new businesses, expansion of existing businesses and the discharge of its current liabilities.

於二零零六年六月三十日，本集團之流動負債淨額為79,000,000港元，另有手頭現金56,000,000港元。於結算日後，本集團透過發行可換股票據集資約99,000,000港元（詳情載於財務報表附註38(a)）。本集團擬將所得款項撥付於投資新業務、擴充現有業務及清償其現有負債。



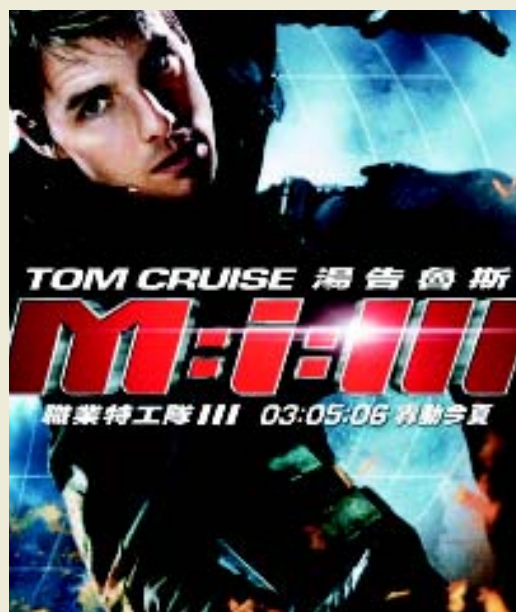
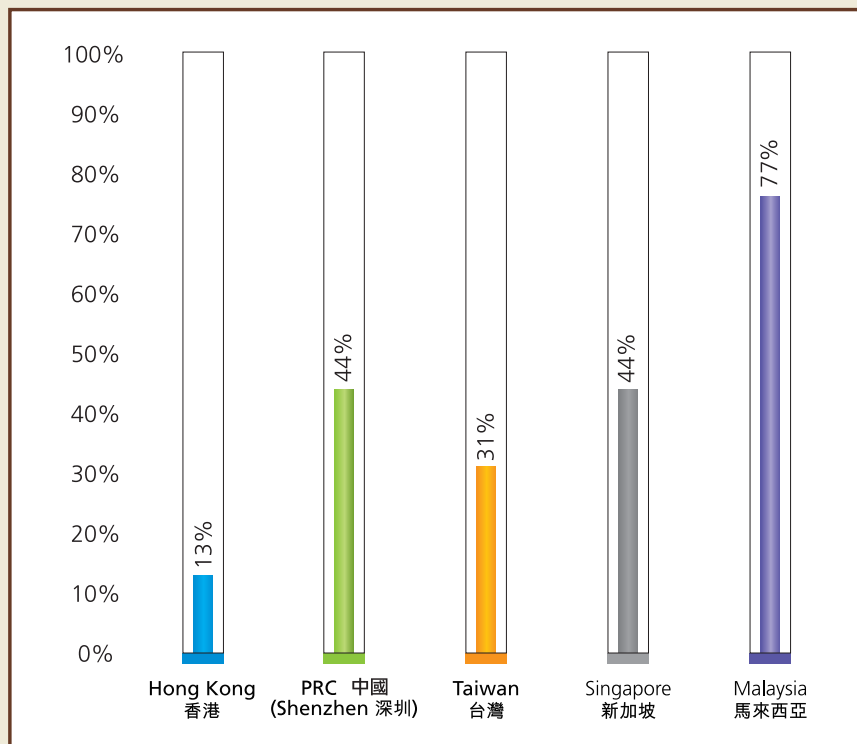
## Management Discussion and Analysis

### 管理層討論及分析

#### Market Share of Golden Harvest Cinemas

嘉禾戲院之市場佔有率

(in terms of box office takings) (按電影票房收入計算)



#### FILM DISTRIBUTION

Total box office receipts in Hong Kong increased by 7% to HK\$966 million, with non-Chinese language films grossing HK\$659 million, an increase of 18% from last year. The box office of Chinese language films remains weak, dropping by 11% to HK\$307 million. As a distributor for both Chinese and non-Chinese language films, the Group achieved a 27% market share in terms of box office receipts.

#### Chinese Language Films

The Group distributed 13 Chinese language films during the year with a box office of HK\$78 million. Due to a lack of good products, our market share decreased from 28% last year to 25% this year.

#### Non-Chinese Language Films

Good performance of our non-Chinese language films this year was attributable to blockbusters like "Madagascar", "King Kong" and "Mission Impossible III". The number of films released by the Group increased from 36 last year to 39 this year and the box office receipts increased by 64% to HK\$179 million. After the expiry of distribution contract with United International Pictures, the Group will continue to concentrate

#### 電影發行

香港電影票房總收入增加7%至966,000,000港元，其中非華語電影之電影票房總收入為659,000,000港元，較去年上升18%。華語電影之電影票房收入仍然疲弱，減少11%至307,000,000港元。作為華語及非華語電影之發行商，按電影票房收入計，本集團之市場佔有率為27%。

#### 華語電影

年內，本集團共發行13齣華語電影，錄得電影票房收入78,000,000港元。由於欠缺賣座電影，本集團市場佔有率由去年之28%降至本年度之25%。

#### 非華語電影

受多齣電影巨製如《荒失失奇兵》、《King Kong》及《職業特攻隊III》所推動，本集團非華語電影於年內表現卓越。經本集團發行之電影數目由去年36齣增至本年度39齣，而電影票房收入亦躍升64%至179,000,000港元。本集團與United International Pictures訂立之發行合約屆滿



## Management Discussion and Analysis

### 管理層討論及分析

on its own film licensing business. The Panasia-licensed films "Train Man" and the recently released "Death Note I" (both Japanese movies) were well received by the market and achieved satisfactory results.

#### FILM EXHIBITION

In 2004/2005, the Group made a strategic move to strengthen the exhibition business by acquiring the largest cinema chain in Taiwan, working together with a few Taiwan partners. We also increased our stake to 50% in one of our Malaysian cinema operations and launched our flagship cinema in Shenzhen in Mainland China. The Group now operates 47 cinemas with 335 screens across the Asian region and is a leading cinema operator in Asia.

In Hong Kong, with the closure of an under-performing cinema and implementation of better cost control, the losses of our Hong Kong cinemas have been substantially reduced.

In Mainland China, the Group's 7-screen cinema located at MIXC Mall, City Crossing, Shenzhen, accounted for a 44% market share in Shenzhen and has attained top position nationwide in terms of box office takings in July and August 2006. Box office income for its first full year amounted to RMB36 million. Flexible multi-pricing policies and customer-oriented marketing promotions have been successful in developing a regular movie-going habit amongst our customers.

In Singapore, the market box office increased by 2% to S\$121 million. The theatre takings of the Group's associate Golden Village Multiplex Pte Ltd ("GVM") were up slightly, increasing by 4% to S\$54 million. Market share of GVM, currently at 44%, is likely to reach a record high level with the opening of a new 15-screen megaplex in October 2006. GVM contributed a net profit of HK\$18 million to the Group, an increase of HK\$4 million from last year.

後，將繼續專注發展本身之電影版權購入業務。藉泛亞購入版權之電影《電車男》及最近放映之《死亡筆記I》同為日語電影，均廣受市場歡迎，且成績理想。

#### 戲院經營

於二零零四／二零零五年度，本集團作出策略措施，透過與多名台灣夥伴，共同收購台灣最大規模連鎖影城，推動戲院經營業務之發展。與此同時，本集團增持其中一間馬來西亞影城之股份至50%，更於中國大陸深圳推出旗艦影城。目前，本集團於亞洲各地經營47家影城，共335個影廳，為亞洲具領導地位之戲院營辦商。

香港方面，透過結束一間表現未如理想之戲院及推行更奏效之成本控制措施，本集團於香港戲院之虧損已顯著減少。

於中國大陸，本集團位於深圳華潤中心萬象城設有7家影廳之影城，佔據深圳市場佔有率44%，於二零零六年七月及八月，按電影票房收入計算，穩居全國首位。該影城首個全年電影票房收入達人民幣36,000,000元。憑藉靈活之多層票價政策及以顧客為主導之市場推廣手法，本集團已成功培養觀眾於戲院欣賞電影之習慣。

於新加坡，電影票房收入增加2%至121,000,000新加坡元。本集團聯營公司Golden Village Multiplex Pte Ltd (「GVM」)之票房收入微升4%至54,000,000新加坡元。GVM之市場佔有率現為44%，隨著設有15個影廳之全新影城於二零零六年十月開幕，有機會攀升至創新高水平。GVM為本集團帶來純利貢獻18,000,000港元，較去年增加4,000,000港元。



## Management Discussion and Analysis

### 管理層討論及分析

Last year the Group commenced proceedings in Hong Kong to wind up Dartina Development Limited, the holding company of the Singapore joint venture with Village Roadshow. The petition was caused by disputes between the Group and its Australian partner, Village Roadshow, regarding the performance of the operational management of GVM. Legal proceedings are still continuing.

In Malaysia, with the opening of a number of new cinemas in the last couple of years, the market box office has risen to a record high of RM195 million for the year, an increase of 24% over last year. Golden Screen Cinemas Sdn. Bhd. ("GSC") opened 34 screens in the past two years and TGV opened 15 screens this year. Due to keen competition in the market, the market share of GSC and TGV dropped from 81% last year to 77% this year. With additional profits from new screens, total net profit contribution of these two joint ventures to the Group amounted to HK\$14 million, an increase of HK\$2 million from last year.

In Taiwan, our jointly-controlled investment WVT, contributed a net profit of HK\$16 million to the Group. Market box office takings grew by 3% to NT\$5,492 (HK\$1,318) million this year. Cinema admissions of WVT rose by 9% this year and total revenue was up 15% to NT\$2,204 (HK\$529) million. In addition to the cinema operations, WVT also manages a retail mall at Hsin Yi in Taipei which is fully tenanted and yields a good return in rental income. WVT changed its name to Vie Show Cinemas Co., Ltd, subsequent to the year end.

#### PROSPECTS

Hong Kong will continue to be the base of the Group's operations, supported by our strong regional network. The

去年，本集團於香港就與 Village Roadshow 成立之新加坡合營公司之控股公司嘉年華影業有限公司展開清盤程序。有關呈請乃本集團與其澳洲夥伴 Village Roadshow 就 GVM 營運管理之表現出現糾紛所引致。有關法律程序現時仍在進行中。

馬來西亞方面，多家新戲院於過去兩年相繼開幕，推動年內票房收入創新高，達 195,000,000 馬幣，較去年飆升 24%。Golden Screen Cinemas Sdn. Bhd. (「GSC」) 於過去兩年開設 34 個影廳，另 TGV 於本年內增設 15 個影廳。鑑於市場競爭劇烈，GSC 及 TGV 之市場佔有率由去年 81% 減至本年度 77%。憑藉新影廳帶來之額外溢利，此兩家合營公司為本集團帶來純利貢獻合共 14,000,000 港元，較去年增加 2,000,000 港元。

台灣方面，本集團之共同控制投資華納威秀，為本集團帶來純利貢獻 16,000,000 港元。本年度之市場票房收入增長 3% 至 5,492,000,000 新台幣 (1,318,000,000 港元)。華納威秀本年度之戲院入座人數攀升 9%，其總收益亦上升 15% 至 2,204,000,000 新台幣 (529,000,000 港元)。除經營戲院外，華納威秀亦管理位於台北信義之零售商場，該商場之商舖全數租出，且錄得理想租金收入回報。於年結日後，華納威秀更改其名稱為威秀影城股份有限公司。

#### 前景

憑藉廣泛地區網絡作後盾，香港將繼續為本集團業務基地。本集團將繼續於大中華





Group will continue to develop film exhibition and distribution businesses in the Greater China market and strengthen its Pan-Asian non-Chinese language films. Management believes that there are more attractive potential investments in the Greater China market and the Group will consider redeploying its investments in the region in order to maximise our return in future.

On 16 October 2006, the Group entered into conditional agreements to acquire three related companies which hold a film library comprising 39 film Chinese language titles at a consideration of approximately HK\$22.6 million. The acquisition will enlarge the Group's existing film library and strengthen its film distribution business. The investment will be funded by internal resources.

### FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2006, the Group's cash balance was HK\$56 million and the net current liabilities stood at HK\$79 million. During the year, the Group issued a 4% convertible note to an independent third party with net proceeds of approximately HK\$20 million. A subsidiary company also obtained a revolving facility of approximately HK\$2 million for working capital purposes. In addition, one of the Group's jointly-controlled entities in Malaysia obtained a bank loan of HK\$31 million (the Group's 50% share was HK\$16 million) to finance the development of the new cinema sites. Our gearing ratio, calculated on the basis of external borrowings over total assets, was 15%. The Group had contingent liabilities of HK\$18 million at the year-end date (2005: HK\$17 million) in respect of a guarantee of a banking facility granted to an associate. Details of the contingent liabilities are set out in note 35 to the financial statements. As at 30 June 2006, the aggregate amount of the Group's borrowings was HK\$115 million. Details of the borrowings including the terms of the loans, interest rates, currencies and securities are indicated in note 23 to the financial statements.

市場發展戲院經營及電影發行之業務，同時加強推廣其泛亞市場之非華語電影。管理層相信，大中華市場具有更具吸引力之潛在投資機會，本集團將考慮重新調配其區內投資，以盡量提高日後回報。

於二零零六年十月十六日，本集團訂立有條件協議，按代價約22,600,000港元收購三間關連公司。該等公司持有39齣華語電影之電影資料庫。是項收購將擴大本集團現有之電影資料庫，並增強其電影發行業務。此項投資將以內部資源撥付。

### 財務資源及流動資金

於二零零六年六月三十日，本集團有現金結餘56,000,000港元，而流動負債淨額則維持於79,000,000港元水平。年內，本集團向一名獨立第三方發行4厘可換股票據，所得款項淨額約20,000,000港元。一間附屬公司亦取得循環融資約2,000,000港元，以撥作營運資金用途。此外，本集團其中一間位於馬來西亞之共同控制公司取得銀行貸款31,000,000港元（本集團分佔50%即16,000,000港元），以撥付開發新影院所需。本集團按對外借貸對比資產總值計算之資本負債比率為15%。於年結日，本集團就一間聯營公司所獲授銀行融資之擔保而產生之或然負債為18,000,000港元（二零零五年：17,000,000港元）。或然負債詳情載於財務報表附註35。於二零零六年六月三十日，本集團借貸總額為115,000,000港元。貸款年期、利率、貨幣及抵押之借款詳情載於財務報表附註23。



## Management Discussion and Analysis

### 管理層討論及分析

The Group's assets and liabilities are principally denominated in Hong Kong dollars except for certain assets and liabilities associated with the investments located in Singapore, Malaysia, Taiwan and Mainland China. Management has assessed the exchange risk and exposures in these territories from time to time. Since the exchange rates of these currencies have been either relatively stable or favorable to the Group for the past two years, no hedging of foreign currencies was carried out during the year. The directors will continue to assess the exchange risks and exposures, and will consider all possible hedging measures in order to minimise the risk at reasonable cost.

The Group's liquidity has greatly improved subsequent to the year end. The Group raised new funds from the issuance of HK\$100 million 4% convertible notes and obtained a short-term banking facility of HK\$15 million both in August 2006. The Group intends to apply the proceeds for investments in new businesses, expansion of existing businesses and the discharge of its current liabilities.

#### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2006, the Group had 226 (2005: 228) permanent employees. The Group remunerates its employees largely based on industry practice. In addition to salaries, commissions and discretionary bonuses, share options are granted to certain employees based on individual merit. The Group also operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance and as at the balance sheet, there was no forfeited contribution arising from employees leaving the retirement benefit scheme.

本集團之資產及負債主要以港元列值，惟與位於新加坡、馬來西亞、台灣及中國大陸之投資項目相關之若干資產及負債除外，管理層不時評估該等地區之外匯風險。由於過去兩年該等地區之貨幣匯率相對穩定或有利於本集團，故年內並無採取任何外匯對沖措施。董事將繼續評估外匯風險，並會考慮所有可行之對沖措施，以合理成本盡量降低風險。

本集團之流動資金於年結日後顯著改善。本集團於二零零六年八月以發行100,000,000港元4厘可換股票據籌集新資金，同時取得短期銀行融資15,000,000港元。本集團擬將所得款項撥付於投資新業務、擴充現有業務及償還其現有流動負債。

#### 僱員及薪酬政策

於二零零六年六月三十日，本集團僱有226名（二零零五年：228名）全職僱員。本集團主要根據行業慣例釐定僱員薪酬。除薪金、佣金及酌情發放之花紅外，若干僱員更可就個人表現獲發購股權。本集團亦根據強制性公積金計劃條例設立定額供款退休福利計劃。於結算日，並無任何因僱員脫離退休福利計劃而產生之沒收供款。

