

鞏固成形，展望收成

在過去五年，中國星集團有限公司（「中國星」）成功改組成一家具規模的娛樂及多媒體製作及發行企業。在銳變過程中，我們致力建立穩固的根基，確立嚮譽全球電影製片及發行王國的地位。

部分分析員認為，在過去五年，本港製片業面對有史以來最嚴峻的經營環境。我們卻在這個充滿挑戰的時刻，從一九九六年局限在香港及澳門的發行網絡，拓展至今日遍布世界各地的廣泛發行網絡。我們製作的電影在全球被廣泛觀眾所歡迎。

在過去五個經濟衰退的年頭，本集團見證著香港及國際市場經濟環境不斷惡化，衰退程度遠超我們原來的想像。毫無疑問，香港電影業大受影響。正當不少公司在此艱難時期掙扎求存之際，中國星全人卻憑著堅定無比的決心，高瞻遠足，在逆境中，打下穩固的基礎，發展成香港電影業之頂尖領袖，為港產電影在北美及我們之中國等市場成功爭取發展及建立有利之地位，加強業務，銳意發展成更具規模的娛樂，多媒體製作及發行企業，我們已準備就緒，迎接豐盛的收成。

SOLID FOUNDATION, EXCITING TURNAROUND

The past 5 years has seen China Star Entertainment Limited (“China Star”) successfully re-organized as a well established entertainment, multimedia production and distribution enterprise. In the course of this development, the Group is striving hard to build on its fundamentals: to establish excellent reputation as a powerful film producer and international film distributor.

While some analysts have labeled recent 5 years as the worst years for film industry in Hong Kong, we at China Star have accomplished the establishment of an extensive distribution network all over the world and our films were widely admired by extensive audience in international market, from the basis of having a limited distribution network in Hong Kong and Macau in 1996.

Following the downward trend experienced in recent 5 years, the Group witnessed the drastic and dramatic economic downturn in Hong Kong and international market. The extent of worsening of economy was totally out of our expectation. Inevitably, this was a demanding time for Hong Kong film industry. While many companies battled to survive in tough 2001, we at China Star was determined to laid down a solid foundation, to develop as leading film production company in Hong Kong, to enhance the status of Hong Kong produced movie in those market including North American and China, to establish advantageous position. So as to strengthen our operations and develop into a large scale entertainment, multimedia production and distribution enterprise through economically trying times. We are preparing for the exciting turnaround in coming years.

鞏固成形，展望收成 (續)

儘管期內的經營環境充滿重重挑戰，中國星卻不負眾望，成功完成下列策略性收購：

於二零零一年，本集團收購業內享負盛名的製片商，一百年電影有限公司（「一百年」），此策略性收購將大幅提升本集團之製作能力，為我們帶來充滿挑戰之機遇，大幅拓展未來電影拍攝之範圍。

在二零零一年下半年，本集團收購有二十二年發行歷史及擁有數百部電影片庫之海岸集團有限公司（「海岸」）。此策略性投資讓中國星可有效開拓大中華地區高速增長之錄像娛樂及多媒體市場。

本集團之長遠策略為維持在電影業之頂尖領袖地位及進一步，增加市場滲透率及佔有率。因此，在過去幾年，本集團為實施這一切宏圖偉略而蒙受短期虧損。雖然，眼前存在這些短暫困難，本集團清楚知道我們已準備就緒，蓄勢待發，為未來無窮無盡的發展機遇打下穩固的基礎。

中國已加入世貿組織（「世貿」），日後，外國電影業將有全新的發展機會。本集團收購一百年及海岸，正好建立穩固地位。憑藉其在國內廣泛發行渠道及能力，為本集團帶來輝煌的前景。本集團將全力以赴，開拓中國市場。

SOLID FOUNDATION, EXCITING TURNAROUND (continued)

In this climate, China Star accomplished the following strategic acquisitions:

In 2001, the Group acquired One Hundred Years of Film Company Limited (“One Hundred Years”), a well recognized film producer. This strategic move would greatly enhance our production capacity, bring us further exciting opportunities and extend the reach of future film production.

In second half of 2001, the Group acquired Ocean Shores Group Limited (“Ocean Shores”); a company with 22 years history of distribution and film library contains valuable collection of several hundred films. This strategic move would enable China Star to effectively capitalize on the dramatic explosion of the Greater China video entertainment and multi-media market.

The Group's long term strategy is to maintain the leading position in film production industry, increase its market penetration and market share had lead to short term loss for the Group in the past few years. Despite the short-term difficulties, the momentum to grow is rising high and the Group is well prepared for future explosive growth.

After China joined the World Trade Organization (“WTO”), opportunities will be opened to foreign films. The Group has well positioned itself by acquiring One Hundred Years and Ocean Shores. With the setting up of these distribution networks in China and its enhanced capability, would give an extremely bright outlook. China becomes a prime marketing target for future growth and expansion for the Group.

鞏固成形，展望收成 (續)

本集團一直不斷調整製作及發行渠道，以適應目前及未來觀眾之需要。唯一永恆不變的，是我們總是腳踏實地，不畏艱辛，採取一切必要的措施，確保未來能在康莊大道上健康發展。

基於對面前嚴峻環境的深切體會，我們早已實行嚴格的成本控制措施，包括將非核心業務如市場推廣等營運外判，積極控制員工薪酬、營運成本電影製作支出。我們將一如既往，密切留意業內之成本效益及薪酬趨勢，致力進一步降低成本。

全賴一群才華橫溢全人不懈的努力，本集團得以建立引以為傲的創新精神，無孔不入的網絡及與日俱增的實力。我們在二零零一年建立的穩固基礎，正是他們奮鬥的見証。在過去的歲月，可以清楚肯定我們在逆境茁壯成長的能力。預計，在即將降臨的順境中，我們肯定能獲得更豐盛的成果。於此，本人向本集團全人在過去一年的努力，及為中國星所有股東奠下牢固的基石，讓我們可以攜手邁向更光明的前景，謹此致敬。

主席
向華強

香港，二零零二年四月二十六日

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TURNAROUND** (continued)

The Group would keep on changing the mix of our production and channel of distribution over time, in anticipation of what our current and new audience will need in the future. One constant throughout our history, however, is that we have always had a very realistic view of that future, and have made the hard decisions necessary to ensure that the future is a healthy one.

In recognition of this slowdown, we implemented stringent cost reduction measures, included actively outsource non-core business such as marketing to external vendor and actively control staff salary, operation costs and film production costs. We continue to monitor the cost efficiency and salary level in the industry and remain committed to further reductions.

The renowned innovation, extraordinary reach and growing strength of the Group's businesses are made possible by the enormously talented men and women we employ. Our hard-won foundation in fiscal 2001 is a credit to their efforts. We have proofed to have the power to defy difficult market conditions - and would definitely generate even greater rewards when those conditions turn more favorable in coming years. I salute our employees for their year of achievement and for the bright future they have built for all shareholders of China Star.

Heung Wah Keung
Chairman

Hong Kong, 26 April 2002