

業績

截至二零零一年十二月三十一日止年度，本集團之營業額增加288%至253,200,000港元(二零零零年：65,200,000港元)，經營虧損為132,500,000港元，而股東應佔虧損為191,200,000港元。

董事將於二零零二年五月二十七日舉行之股東周年大會上，不建議就本年度派發末期股息(二零零零年：無)

重要發展

收購一百年

於二零零一年一月，本集團完成收購一百年(一間著名電影製作公司)之權益，按現金代價265,600,000港元，收購其已發行股份之權益。憑此間新收購附屬公司所提供之電影製作能力及電影庫擴大之優勢，本集團之營業額有所增加，並從本身製作之電影發行中取得額外收益。在本年度內，一百年為本集團帶來約173,600,000港元之收入，及為本集團之虧損帶來12,900,000港元之利潤。

RESULTS

For the year end 31 December 2001, the Group's turnover increased by 288% to HK\$253.2 million (2000 : HK\$65.2 million). Loss from operations amounted to HK\$132.5 million and a loss of HK\$191.2 million attributable to shareholders was recorded.

At the Annual General Meeting to be held on 27 May 2002, the directors do not recommend the payment of a final dividend for the year (2000:nil).

MATERIAL DEVELOPMENTS

Acquisition of One Hundred Years

In January 2001, the Group completed the acquisition of the interest of One Hundred Years, a well-recognised film producer for a consideration of HK\$265.6 million. The Group has increased turnover and reaped extra income from the distribution of its own productions with the film-production capabilities provided by this newly acquired subsidiary and the advantage of the expanded film library. During the year, One Hundred Years contributed approximately HK\$173.6 million to the Group's turnover and a profit of HK\$12.9 million to the Group's loss from operations for the year.

重要發展 (續)

收購海岸

於二零零一年八月，本集團按現金代價63,000,000港元完成收購63,000,000股海岸股份，佔海岸全部已發行股本約38.18%，連同集團原持有之13,500,000股海岸股份，合共擁有76,500,000股海岸股份之權益，佔海岸已發行股本約46.36%。截至二零零一年十二月三十一日，本集團佔海岸已發行股本約38.64%。海岸為一間在百慕達註冊之獲豁免之公司，該公司股份在香港聯交所上市，海岸與其附屬公司（「海岸集團」）主要從事影視產品及影視產品權益之分銷。年內，本集團應佔海岸集團之虧損為約16,000,000港元。然而，本集團出售海岸集團權益視為取得收益約21,200,000港元，而所持海岸權益則由46.36%減至38.64%。在新領導層致力重組海岸集團下，集團將繼續其錄影發行業務，並進一步拓展中國之電影及錄影產品發行業務。

MATERIAL DEVELOPMENTS (continued)

Acquisition of Ocean Shores

In August 2001, the Group acquired 63,000,000 shares in Ocean Shores for a cash consideration of HK\$63 million, representing approximately 38.18% of the entire issued share capital of Ocean Shores and together with the 13,500,000 shares of Ocean Shores it already owned have aggregate interest in 76,500,000 shares in Ocean Shores, representing approximately 46.36% of the issued share capital of Ocean Shores. As at 31 December 2001, the Group was interested in approximately 38.64% of the issued share capital of Ocean Shores. Ocean Shores is an exempted company incorporated in Bermuda and the shares are listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). Ocean Shores and its subsidiaries (“Ocean Shores Group”) are principally engaged in the distribution of video products and the sub-licensing of video products rights. During the year, the Group’s share of loss of Ocean Shores Group amounted to approximately HK\$16.0 million. However, the Group recorded a deemed gain on disposal of Ocean Shores of approximately HK\$21.2 million from the decrease in interest in Ocean Shores from 46.36% to 38.64%. After the new management’s effort in restructuring of Ocean Shores Group, it continued its video distribution business and are expanded into the distribution of films and video products in the People’s Republic of China.

業務回顧

本年度虧損增加主要由於年內已確認減值約104,100,000港元及呆壞賬撥備約15,900,000港元所致。減值虧損約104,100,000港元中，約55,000,000港元作電影版權確認入賬、約38,700,000港元作計入儲備商譽確認入賬及約10,400,000港元作廠房及設備確認入賬。

由於市場競爭激烈，舊電影版權價格仍然偏低，因此董事重估電影版權於結算日之可收回數額，將55,000,000港元之減值虧損確認入賬。

由於中國產生現金單位持續出現虧損，故本集團重估該產生現金單位資產之可收回數額，將約38,700,000港元之減值虧損確認入賬。減值虧損用作減少收購該單位所產生之商譽。

電影發行權及現金產生單位之賬面值乃參考由獨立專業估值師進行之估值而釐定。估值則根據因發行及分授發行權業務以及現金產生單位所產生之預期日後收益而釐定。

廠房及設備之減值乃根據於二零零一年十二月三十一日後出售所得款項計算。

REVIEW OF OPERATIONS

The increase in current year's loss was mainly attributable to the impairment loss recognised during the year of approximately HK\$104.1 million and allowance for bad and doubtful debts of approximately HK\$15.9 million. Among the impairment loss of about HK\$104.1 million, HK\$55 million was recognised on film rights, about HK\$38.7 million was recognised on goodwill held in reserves and about HK\$10.4 million was recognised on plant and equipment.

As the price for old titles of film rights remained low due to keen competition, the directors reassessed the recoverable amount of film rights at the balance sheet date. Total impairment loss of HK\$55 million was recognised.

Due to continuous losses incurred by its cash-generating unit in the PRC, the Group reassessed the recoverable amount of the assets of this cash-generating unit. Total impairment loss of approximately HK\$38.7 million was recognised. This impairment loss was allocated to reduce the carrying amount of goodwill arising from the acquisition of this unit.

The carrying values of the film rights and the assets of the cash-generating unit are determined by reference to the valuations performed by an independent firm of professional valuers. The valuations were determined based on the present value of the expected future revenue arising from the distribution and sub-licensing business and the cash-generating unit.

The impairment loss on plant and equipment was determined with reference to the sales proceeds after 31 December 2001.

業務回顧 (續)

本集團現時業務分成兩類：電影發行及錄影帶發行。

電影發行

在今年這個歷史性年度，本集團完成收購一百年。本年度成功發行之影片包括：老夫子2001、「瘦身男女」、「蜀山傳」、「絕世好Bra」、「暗戰2」，這些電影繼續成為市場焦點，吸引大量觀眾入場及獲得理想票房收入，為本集團帶來重大收入。

電影發行業務在本年度之收入上升，對本集團之收入作出重大貢獻，增加至約200,300,000港元，上升266%(二零零零年：54,700,000港元)，然而，在扣除本集團之行政開支後，電影發行部出現約97,000,000港元虧損(二零零零年：29,600,000港元)。

本集團之成就廣為業內人士公認。本年度，一百年在第38屆金馬獎中榮獲四項大獎，包括憑「野獸之瞳」奪得「最佳男配角」、「愛上我吧」奪得「最佳女配角」及「蜀山傳」奪得「最佳美術設計」與「最佳造型設計」。

本集團成功在全球最重要之娛樂市場歐美等國家建立廣泛之發行渠道，預計「蜀山傳」及「黑俠II」將於二零零二年下半年在美國公演。此外，本集團於二零零零年六月與衛星電視有限公司簽定合約賦予其部分電影播映權，將繼續為本集團帶來穩定收入來源。

REVIEW OF OPERATIONS (continued)

The Group is currently organised into two main operating divisions, namely film distribution and video distribution.

Film Distribution

In this year of Landmark, the Group has completed acquisition of One Hundred Years. Successful release of motion pictures in the year include: Master Q 2001, Love on a Diet, The Legend of Zu, La Brassiere, Running Out Of Time 2. These films have continued to draw attention of the market, achieved substantial increase in overall viewers and outstanding box office, bringing great revenue contribution to the Group.

Film distribution division saw an up swing in turnover and contribution to the Group for the year. Turnover has significantly increased by 266% to approximately HK\$200.3 million (2000: HK\$54.7 million). However, after the allocation of the Group's administrative expenses of film distribution division, it incurred segment loss of approximately HK\$97.0 million (2000: HK\$29.6 million)

The Group's achievement was well recognized by the industry. This year, One Hundred Years has won 4 awards in the 38th Golden Horse Award included best supporting actor by the film "Born Wild", best supporting actress by the film "Gimme Gimme", best art direction and best costume design by the film "The Legend of Zu".

A force to revenue increase is the Group successfully built up the distribution network in USA and Europe, the top entertainment market in the world. "The Legend of Zu" and "Black Mask II" are going to launch in USA in the 2nd half of 2002. In addition, the contract with Satellite Television Asian Region Limited signed in June 2000, granting it certain rights to films released by the Group, continues to create a stable revenue stream.

業務回顧 (續)

電影發行 (續)

本年度，電影發行業務對本集團之收入貢獻有所減少，主要由於東南亞市場之復甦速度較預期為慢，電視市場仍然處於低潮，而中國加入世貿帶動之增長尚未體現等我們不能預見之因素影響。

錄影帶發行

本年度本集團為錄影帶業務奠下重要的里程碑，成功收購海岸。此項策略性收購將可大大加強本集團之電影片庫及發行網絡。中國星將盡擁大中華地區內以爆炸性速度增長之娛樂及多媒體市場。

在衰退之經濟環境下，錄影發行業務繼續取得理想之表現，對本集團於區內之收入由去年8,100,000港元增至45,200,000港元。然而，在扣除本集團之行政開支後，錄像帶發行部出現虧損約14,400,000港元(二零零零年：17,300,000港元)。

REVIEW OF OPERATIONS (continued)

Film Distribution (continued)

This year, revenue contribution from film distribution to the Group has decreased due to unexpected development including revival of South East Asian market was below our expectation, the TV market was still in downturn and growth lead by China entry WTO has not yet reflected in current year.

Video Distribution

This year, the Group has laid the milestone for video distribution; the Group has acquired Ocean Shores. This strategic acquisition would greatly enhance the Group's film library and distribution network. The Group would effectively capitalized on the dramatic explosion of the Greater China video entertainment and multi-media market.

Against the background of a weak economy, the operation of the video distribution division achieved a well and satisfactory performance. Turnover increased in the region of HK\$45.2 million against HK\$8.1 million in last year. However, after the allocation of the Group's administrative expenses of video distribution division, it incurred segment loss of approximately HK\$14.4 million (2000: HK\$17.3 million).

流動資金及財務資源

於二零零一年十二月三十一日，本集團之資產總值為約1,167,000,000港元，及資產淨值600,300,000港元，代表流動比率4.2(二零零零年：6.6)。本集團之現金及銀行結存總額約為47,000,000港元(二零零零年：294,000,000港元)。年內之重要收購是現金及銀行結存減少之原因。

於二零零一年十二月三十一日，本集團之債項總額為116,000,000港元，其中向銀行抵押之貸款21,000,000港元，另外包括從一所財務機構之貸款25,000,000港元，及無抵押可換股貸款票據(「票據」)70,000,000港元，本集團於本期間之資本負債比率仍然偏低，債項總額為116,000,000港元，比對股東資金為888,700,000港元。此代表本集團之借款總額除以股東資金計算為0.13倍之資本負債比率。本集團之抵押貸款以商業利率計算利息，在十年內分期償還，以本集團持有之部分土地及物業作抵押，其價值約為30,800,000港元。其他從財務機構借出之貸款以固定利率，在一年內一次過償還，並以183,600,000股之海岸股份作抵押。票據之年息為四厘，利息須於每半年到期時支付，票據將於二零零四年六月三十日到期贖回。票據附有權利可於二零零二年七月一日或之後按初步換股價每股0.20港元轉換為本公司股本中每股面值0.05港元之股份。發行票據之所得款項淨額約為68,900,000港元。該款項其中約30,000,000港元已用以擴充本集團在中國及香港之影音光碟發行業務，餘額約38,900,000港元將予保留作為一般營運資金用途。

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2001, the Group had total assets of approximately HK\$1,167 million and a net current assets of HK\$600.3 million, representing a current ratio of 4.2 (2000: 6.6). The Group had a total cash and bank balances of approximately HK\$47.0 million (2000: HK\$294 million). The decrease in cash and bank balances was resulted from the material acquisitions during the year.

As at 31 December 2001, the Group had total borrowings of HK\$116 million comprising mortgage loan from a bank of HK\$21 million, other loan from a financial institution of HK\$25 million and unsecured convertible loan notes ("Notes") of HK\$70 million. The Group's gearing remained low during the period with total debts of HK\$116 million against shareholders' funds of HK\$888.7 million. This represent a gearing ratio, calculated in the basis of the Group's total borrowings over shareholders' fund of 0.13. The Group's mortgage loan bears interest at commercial rate and is repayable in installments over a period of ten years and is secured by certain of the Group's leasehold land and buildings with carrying value of HK\$30.8 million. The other loan from a financial institution bears interest at a fixed rate and is repayable in lump sum within one year and is secured by the pledge of 183,600,000 shares of Ocean Shores. The Notes bear interest at 4% per annum, which will be payable semi-annually in arrears and will be matured on 30 June 2004. The Notes carry the right to convert into shares of HK\$0.05 each in the share capital of the Company at an initial conversion price of HK\$0.20 per share on or after 1 July 2002. The net proceeds of the issue amounted to approximately HK\$68.9 million are used as to approximately HK\$30 million for the expansion of video compact disc distribution operation in China and Hong Kong and as to the balance of approximately HK\$38.9 million for general working capital purposes.

流動資金及財務資源 (續)

在結算日後，於二零零二年三月二日多實有限公司（「多實」）及Porterstone Limited（「Porterstone」）與配售代理訂立配售協議，並與本公司訂立認購協議。根據配售協議，多實及Porterstone同意透過配售代理按每股0.095港元之價格向獨立投資者分別配售107,000,000股及195,000,000股配售股份。另一方面，根據認購協議，多實及Porterstone有條件同意按每股0.095港元之價格分別認購131,653,393股及221,000,000股認購股份。於二零零二年三月十五日經認購之352,653,393股股份而擴大之本公司已發行股份所得款項淨額約為32,000,000港元，其中約20,000,000港元將用作電影製作，而餘額約12,000,000港元將作為本集團之一般營運資金。

於二零零二年三月二十日，本公司建議於二零零二年四月十二日以供股方式按每股供股股份0.05港元之價格發行供股股份，以集資不少於大約52,900,000港元（未扣除有關開支）。本公司將按合資格股東每持有兩股股份可獲發一股供股股份之比例暫定配發供股股份。預期在達成供股之條件下，所有繳足股本供股股份之股票將於二零零二年五月三日或之前發行。預期供股所得款項淨額約為51,000,000港元，其中約35,000,000港元計劃用於電影製作，而餘額約16,000,000港元則撥作本集團之一般營運資金。

鑑於本集團所經營之業務須面對之外匯兌換率風險不大，因此毋須進行任何套戥活動。於二零零一年十二月三十一日，本集團並無任何或然負債。

LIQUIDITY AND FINANCIAL RESOURCES

(continued)

Subsequent to the balance sheet date, Dorest Company Limited (“Dorest”) and Porterstone Limited (“Porterstone”) entered into a placing agreement with a placing agent and a subscription agreement with the Company respectively on 2 March 2002. Pursuant to the placing agreement, Dorest and Porterstone have agreed to place 107,000,000 and 195,000,000 placing shares respectively to independent investors at a price of HK\$0.095 per share. On the other hand, according to the subscription agreement, Dorest and Porterstone conditionally agreed to subscribe for 131,653,393 and 221,000,000 subscription shares respectively at a price of HK\$0.095 per share. 352,653,393 shares issued for the subscription on 15 March 2002 with net proceeds of approximately HK\$32 million are intended to be used as to HK\$20 million for movie production and as to approximately HK\$12 million for general working capital of the Group.

On 20 March 2002, the Company proposed to raise not less than about HK\$52.9 million before expenses by issuing one rights share for every two existing shares held on 12 April 2002 at a subscription price of HK\$0.05 per rights share. The rights shares are expected to be issued on or before 3 May 2002. The net proceeds of approximately HK\$51 million are intended to be used by the Group as to approximately HK\$35 million for movie production and the balance of approximately HK\$16 million as general working capital.

In view of the operation of the Group, the exposure to fluctuation in exchange rates was considered limited and no hedge activity was considered necessary. At 31 December 2001, the Group had no contingent liability.

流動資金及財務資源 (續)

本集團已採用多種方法以節省行政開支，包括積極外判非核心業務以節省薪金及營運開支，以集中精力做好本集團之專長及核心業務。預計，該等成本節約措施將於二零零二年財政年度反映。

展望

策略性收購一百年及海岸已為本集團奠下穩固之基礎。隨著本集團不斷提高之電影制作能力及遍布香港，中國及國際市場之廣泛發行網絡，本集團已奠下穩固之基石，預備迎接未來豐盛的成果。

僱員

於二零零一年十二月三十一日，本集團僱用149名員工，其中40名駐守中國。董事相信，聘用優秀員工乃本集團維持聲譽及改善盈利能力之不二法門。員工之酬金乃根據工作表現、專業經驗及行業慣例而釐定。除基本薪金及強制性公積金外，員工福利包括醫療計劃及購股權。

LIQUIDITY AND FINANCIAL RESOURCES

(continued)

The Group had deployed various means to reduce administrative expenses, included actively outsource non-core business to reduce salary and operation expenses, so as to focus our energy on our own expertise and core business. The cost reduction result is expected to be reflected in fiscal 2002.

PROSPECT

The Group has well positioned itself by acquiring One Hundred Years and Ocean Shores. With the enhanced film production capacity and extensive distribution network in Hong Kong, China and international market, the Group has laid down a solid foundation to prepare for exciting turnaround in future.

EMPLOYEES

As at 31 December 2001, the Group employed 149 staffs of which 40 staffs are based in China. The directors believe that the quality of its employees is the single most important factor in sustaining the Group's reputation and improving its profitability. The staffs are remunerated based on their work performance, professional experience and prevailing industry practices. Apart from basic salaries, pension fund, medical schemes and discretionary business, options are awarded to certain staffs according to the assessment of individual performance.