
CHAIRMAN'S STATEMENT

Last year, the Group took a great leap towards another remarkable milestone by listing its shares on the Main Board (stock code: 9) through a placement and public offer of 75,000,000 shares at a placing price of \$0.90, raising additional funds of \$67,500,000 (before expenses).

Unfortunately, the Group's listing date, being 12 September, 2001, coincided with the next day following the September 11 incident which triggered plunges in global stock markets. On the listing date, the Group's share prices shrank over 40% to a closing price of \$0.50.

Yet, it is encouraging to report that the Group maintained its share price at a minimum of \$0.50 since its listing. Strong support from dedicated staff and confident shareholders has brought a healthy and steady increment in share prices. As at the date of this report, share prices have soared to \$1.43, a 60% higher than the offer price of \$0.90.

RESULTS AND BUSINESS REVIEW

The September 11 incident did not materially affect the Group's principal businesses as they are mainly based in Hong Kong and Greater China region.

Though slightly plagued by the September 11 incident, the Group's film processing business remained far ahead of its counterparts. Slight decrease in long film processing in wake of the September 11 event was complemented by substantial increase in advertisement and slide processing business. Accordingly, processing operations still recorded a profit of about \$10,000,000.

China's admission into the World Trade Organization ("WTO") will foster a more open market for film distribution business. Moreover, the PRC government's devotion of further effort against copyright infringements has attributed to gradually increasing prices of original VCD and DVD. Hong Kong films also compete favourably in the domestic market in view of increasing popularity of rated television channels in various provinces of the PRC. In view of this, about 80 films also gained benefits. Accordingly, profits from film processing business soared to \$6.4 million by riding on the rapidly growing domestic market.

Advertising and promotion activities are operated by the Group's subsidiary, Chili Advertising & Promotions Ltd. ("Chili"). Though Chili was only established in October 2000, it contributed a promising profit of about \$3,000,000 for the Group during the previous year.

The Group achieved impressive overall result performance. Profit after taxation amounted to over \$41,000,000, representing a growth of over 50% over last year's figure. Earnings per share were 16.52 cents. A final dividend of 3.5 cents per share will be proposed at the annual general meeting to be held on 21st May, 2002.

CHAIRMAN'S STATEMENT

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FUTURE PROSPECTS

To leverage on abundant opportunities emerging from China's entry into WTO, the Group will commit itself to the following development plans:

- (i) To diversify film processing business into China by collaborating with domestic film processing factories for further exploration of the PRC market.
- (ii) To promote closer co-operation with domestic film producers, television channel operators and circuit distributors for the production of films and television series and to broaden the Group's income bases by showing and releasing films in various parts of China.
- (iii) To capitalize on flourishing advertising business in light of China's admission into WTO, the Group plans to establish a sino-foreign advertising company for enhancing its share in the domestic advertising market.
- (iv) To promote and develop arts and drama culture in various provinces of the PRC for cultivating young potential arts performers.

Based on the opinions of the Group's directors, the Group will dedicate itself to maintain its competitive edges in the territory with six million potential clients. The Group will also endeavour for a higher share in the domestic market with a base of 1.3 billion clients.

EMPLOYEES

As at 31st December, 2001, the Group has employed 80 staffs. In line with the Company's business development, more outstanding individuals will be employed in 2002. The Directors believe that capable staffs are the key to create better business performance and growth in profitability. The Group's staffs enjoy medical benefits and share options in addition to basic salaries and mandatory provident funds.

APPRECIATION

I hereby express grateful appreciation to board members and all staff for their devoted efforts in the past challenging year. I would also like to thank our share investors for their support to and confidence in the Group. In the coming year, the Group will strive for more satisfactory results.

Wong Pak Ming
Chairman

26th March, 2002