

# Chairman's Statement



# 4 Chairman's Statement

I have pleasure to present to shareholders the annual results of Star East Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31st March, 2002.

## FINANCIAL REVIEW

The Group's consolidated turnover for the year ended 31st March, 2002 was approximately HK\$180 million, representing a decrease of 25% against that of 2001 of approximately HK\$239 million. The decrease was due to the difficult operating environment experienced by the Group during the year while the economic downturn in the region prevailed.

The Group's loss attributable to shareholders for the year ended 31st March, 2002 was approximately HK\$462 million, representing a slight drop of 2% as compared to that of approximately HK\$469 million in 2001. It comprised net losses of approximately (i) HK\$46 million in movies, television dramas and documentary production, distribution and licensing; (ii) HK\$133 million in theme restaurant operation and franchising; (iii) HK\$9 million in property investment; (iv) HK\$117 million in investment in securities; and (v) HK\$157 million in other operations and corporate business.

Net losses in the major segments of the Group are reviewed in the paragraphs headed "Business Review" below. The net loss in investments in securities was mainly due to the impairment losses recognised in respect of the Group's investments in Planet Hollywood International, Inc. and convertible bonds issued by G-Prop (Holdings) Limited of approximately HK\$56 million and HK\$59 million respectively, with reference to the estimated value of such investments during the year under review.

Basic loss per ordinary share for the year ended 31st March, 2002 was HK\$0.31, representing a decrease of 49% when compared to that of HK\$0.61 in 2001.

## FINAL DIVIDEND

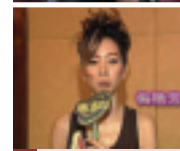
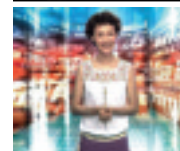
The directors do not recommend the payment of a final dividend for the year ended 31st March, 2002 (2001: Nil).

## BUSINESS REVIEW

### Content Production **BoB** applause|pictures

Being affected by the drastic economic downturn, an operating loss of approximately HK\$29 million was recorded in the Group's content production business, representing a decrease of 38% when compared to that of approximately HK\$47 million in 2001 and with a substantial portion being attributable to movie production. Throughout the year under review, the Group maintained its focus in producing premium Chinese entertainment content including movies and television programmes.

Against the adverse economic environment, the Group has rescheduled its movie production plan. Amongst the movies produced by the Group, the movie "The Avenging Fist" was nominated for the best supporting actress and "Merry-Go-Round" was nominated for the best screenplay at the 21st Hong Kong Film Awards. The Group's investment in the regional film production venture, Applause Pictures also achieved outstanding recognition in the industry. The widely acclaimed "Jan Dara" and "One Fine Spring Day" released in the year had recorded satisfactory box office hits in Asia.



TV programme "Entertainment Express"



Movie "Jan Dara"



Movie "Merry-Go-Around"



Movie "The Avenging Fist"

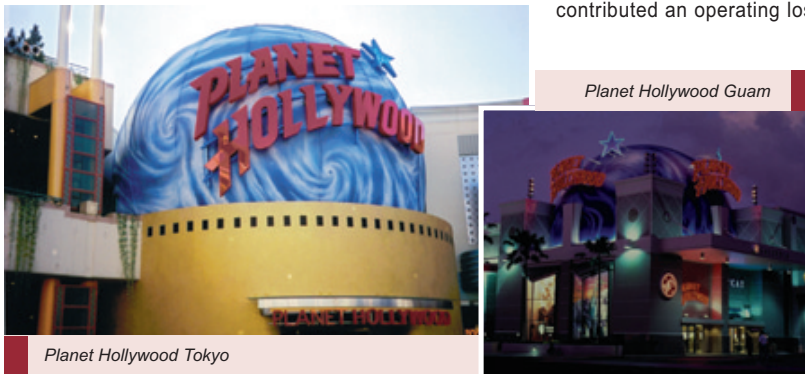
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The Group also produced top-rated prime time TV programmes which were syndicated to over 100 TV stations across Mainland China through its associated companies.

## Leisure Business



The past financial year has been a challenging year for the operations of leisure business under the recessive regional economic climate which was further exacerbated by the 911 terrorist attack. Leisure business contributed an operating loss of approximately HK\$114 million which comprised operating losses of approximately HK\$108 million and HK\$6 million from theme restaurant operations and theme restaurant franchising respectively, representing an overall increase of 293% when compared to that of approximately HK\$29 million in 2001.



Planet Hollywood theme restaurants in the Asia Pacific region with a view to enhancing prospective financial and operating performance. These initiatives necessitated costs for restructuring of HK\$27 million.

Planet Hollywood has been maintaining a foothold in Asia's major cities through investment and franchising. In December 2001, the new Planet Hollywood Japan started its trial operations in Tokyo Disneyland. With average daily patrons of some 30,000 at the vicinity, it has become a major attraction to tourists and local crowd.

## Strategic investment in Sing Pao Media Group Limited (formerly known as STAREASTnet.com Corporation)



The Group holds an effective interest of approximately 25.6% in Sing Pao Media Group Limited ("Sing Pao Media"). Sing Pao Media is principally engaged in the print media business with publications including Sing Pao Daily News and the CUP series of magazines in Hong Kong and the LIFE MAGAZINE in the PRC. With the persistence of the global downtrend of the Internet sector, Sing Pao Media has streamlined the operations of www.stareastnet.com. In addition, it has also developed www.singpao.com.hk, the corporate website in complement with its newspaper.

In the midst of the continued sluggish local economy and cyclical advertising downturn in Hong Kong, Sing Pao Media contributed a net loss of approximately HK\$35 million to the Group. To weather the general market decline, Sing Pao Media had carried out various measures to enhance its products, contain operating costs and increase operational efficiencies during the year. Sing Pao Daily News was revamped with a view to further strengthening its market position. It is expected that rationalization and integration of its print media operations will enable Sing Pao Media to achieve the objective of maximizing cost synergies.

Sing Pao Daily News



CUP Magazine



LIFE Magazine

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### Strategic Investment in M Channel Corporation Limited (formerly known as 36.com Holdings Limited)



During the year, Gold Focus Ltd. ("Gold Focus"), the Group's associated company and holding company of the Mobile Media Group which was engaged in out-of-home audio and video media business under the brand name "M Channel" in Hong Kong and the PRC, contributed a net loss of approximately HK\$18 million to the Group. The loss was mainly attributable to intensive capital expenditures arisen from the aggressive expansion undertaken by the Mobile Media Group in Hong Kong and the PRC.



M Channel Program Parade 2002

In April 2002, Gold Focus disposed of its entire interest in the Mobile Media Group to 36.com Holdings Limited ("36.com"), a company whose securities are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (stock code: 8036), in consideration of 36.com issuing new shares to the shareholders of Gold Focus. Following completion of this transaction, 36.com changed its name to "M Channel Corporation Limited" ("M Channel"). The Group currently holds an effective interest of approximately 26.9% in M Channel.



M Channel is principally engaged in the operation of out-of-home advertising media that compasses the installation, operation, and content management, as well as the

maintenance of multimedia telecasting systems on transit vehicles such as buses, mini-buses and fixed location in commercial venues. The business is an emerging and fast growing sub-sector of the out-of-home media industry, and has gained prominent market positioning in both Hong Kong and the PRC due to its cost effectiveness over conventional media streams. With the success accomplished in Hong Kong, M Channel has extended its operations to Guangzhou, Harbin and Beijing in the PRC to capitalize on the first mover advantage and gain a strong foothold in the out-of-home advertising media sector.