

Review of Operations

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在經濟不景之情況下，電影業及娛樂事業全面受到重大打擊。本集團預期以上困境將會持續一段時間，並已作出相應行動鞏固本集團在有關行業之各項業務。有關措施包括重新集中經營核心發行業務，並以戲院及製作業務作為配合。由於重新集中經營核心業務，本集團已放慢（在若干情況下甚至結束）表現未如理想之業務。

二零零一年之香港票房收益跳升9.6%至1,040,000,000港元，惟該等數字並未全面反映市場疲弱之實況。票房增加主要是由於少數個別電影取得空前成功所致。二零零二年之前景仍然黯淡，製作及票房兩方面均會大幅下降。儘管如此，本集團之財務狀況維持穩健，而本集團之業務仍然毋須以借貸挹注。本集團將不斷嚴格監察開支及檢討業務策略，並尋求全新業務模式，以發揮本集團在區內娛樂事業領導地位之優勢。

Overview

Poor economic conditions have impacted strongly on the film industry and the entertainment business as a whole. We expect these conditions to prevail for some time and have acted accordingly to protect the Group's diversified interests in the industry. The Group has consolidated by going back to its core business of distribution, supported by the exhibition and production businesses. In refocusing on our core businesses, we have slowed down - and in some cases, closed down - activities of under-performing sectors.

Box office receipts in Hong Kong jumped 9.6% to HK\$1,040 million for the year 2001 but these figures do not fully represent the bearish situation of the market. Much of the box office increase has been due to the overwhelming success of a few individual movies. The outlook for 2002 remains bearish, with both production and box office levels continuing to fall dramatically. Despite that, the Group's financial standing still remains strong and we continue to operate debt-free. We continue to critically review our expenses and business strategies consistently and are looking to new business models where we can leverage on our position as a leading brand in entertainment across the region.



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Finance

For the financial year ended 30 June 2002, the Group incurred a loss of HK\$86.4 million as compared to a loss of HK\$73.8 million last year. The figures include normal operating losses of HK\$45.2 million and non-recurring loss items of HK\$41.2 million, due to the divesting of unprofitable or under-performing non-core businesses such as our Taiwan video rental operations and our music and public relations divisions. Consequential losses of trimming down business activities came up to HK\$18.3 million and the Group has conservatively made a provision of HK\$15.5 million for impairment loss in film and television rights, in light of the poor performance of Chinese language films in the past few years.

Despite the higher non-recurring loss items, the move will lower our operation expenditure by 15% in the coming years and significantly reduce risk for the Group. Despite the conservative income from Chinese language films, our distribution income has been considerably boosted by strong non-Chinese language products released by the Group in the financial year. This has brought the Group a modest but noteworthy profit of HK\$1.9 million despite the shrinking markets. In the exhibition sector, the Group has benefited from rising contributions from the Singapore and Malaysian businesses as well as the appreciation of the Singapore currency. Results from the exhibition sector showed a marked increase of HK\$14.4 million from last year.

財務

截至二零零二年六月三十日止財政年度，本集團錄得之虧損為86,400,000港元，而去年錄得之虧損則為73,800,000港元。虧損包括一般經營虧損45,200,000港元，以及結束台灣錄影帶租賃業務及擱置本集團音樂及公關部門等表現欠佳之非核心業務而產生之非經常性虧損為41,200,000港元。結束業務之相關虧損為18,300,000港元，而鑑於過往數年華語電影之表現不濟，本集團已就電影及電視版權之減值虧損審慎作出撥備15,500,000港元。

儘管結束業務導致非經常性虧損有所增加，但在未來數年將可減低本集團之經營成本達15%，更可大大降低本集團所承擔之風險。雖然華語電影之收入不多，但本財政年度所發行之非華語產品成績斐然，使本集團之發行業務收入大幅增長，即使在市場收縮之情況下仍為本集團帶來1,900,000港元溢利，數額雖然不高但值得重視。在戲院經營方面，由於新加坡及馬來西亞業務之收入有所增加，加上新加坡元升值而使本集團獲益，結果該項業務之業績比較去年顯著增長14,400,000港元。



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Film Distribution

The total box office of Hong Kong grew from HK\$962 million to HK\$1,037 million, a 7.8% increase for the financial year under review. This was largely attributed to the release of Hollywood blockbusters such as "Harry Potter", "Jurassic Park 3" and "Tomb Raider" as well as the successes of two local films "Shaolin Soccer" and "Love On A Diet". However, box office takings dipped by 16% in the first half of 2002.

The Group distributed 23 Chinese language and 43 non-Chinese language films in the 2001/2002 financial year, compared with 25 Chinese language films and 27 non-Chinese language films in the previous year. Despite that, our lunar new year release "Marry A Rich Man" scored a resounding success at the box office, being the top grosser of the first half of 2002 with gross receipts of HK\$21.7 million. The increase in our share for non-Chinese language films from 17% to 19% helped offset the decrease in our market share for Chinese language films which fell from 28% to 21%. The reason for the decrease in the number of films distributed by the Group is the Group's turn from direct productions to film financing of fewer but better-quality movies in return for regional distribution rights.

This has lowered production risks for the Group significantly as we do not have to bear the full cost of production. It also allows the Group to capitalise on our distribution synergies across the region and to gain market share through service fees and distribution fees. The result of the new initiatives will be more fully felt in the coming financial year.

電影發行

在本財政年度，香港之票房收入總額由962,000,000港元增至1,037,000,000港元，增幅為7.8%，主要是由於「哈利波特」、「侏羅紀公園3」及「盜墓者羅拉」等荷李活巨片及兩齣本地電影「少林足球」及「瘦身男女」之成功所致。然而，二零零二年上半年之票房數字則下跌16%。

本集團於二零零一／二零零二年財政年度一共發行23齣華語電影及43齣非華語電影，而去年則發行25齣華語電影及27齣非華語電影。然而，本集團賀歲片「嫁個有錢人」之票房成績斐然，榮登二零零二年上半年票房紀錄之榜首，共錄得21,700,000港元之票房總額。本集團之非華語電影市場佔有率由17%增至19%，彌補華語電影市場佔有率由28%下降至21%之影響。本集團所發行電影數量有所下跌乃由於本集團轉變經營方式，由直接製作業務轉向提供製作資金予較少量之優質電影以換取地區性發行權所致。

轉變經營方式令本集團毋須全數承擔製作成本，因而大大減低本集團之製作風險，同時更有利本集團發揮本身在區內分銷方面之協同優勢，並收取服務費及發行費而分享更大市場佔有率。以上轉變可望在下一個財政年度更見成效。

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Exhibition

In accordance with streamlining and consolidations plans, the Group has seen fit to close several underperforming cinemas across the region. The Group now operates 215 screens in 38 cinemas in Hong Kong, Mainland China, Singapore and Malaysia.

Both Singapore and Malaysia turned important corners in the 2001/2002 financial year. Despite overall admissions level in Singapore remaining flat, exhibition for the Group recorded its first profits with a net share of HK\$5.7 million. This has been attributed to a highly successful marketing campaign and price increase strategy.

An increase of blockbusters and the reduction of entertainment tax by Malaysian authorities have also increased box office and admissions in the country significantly despite a net of tax ticket price increase. The bottom line has also been aided by the trimming of operating costs and closure of under-performing cinemas.

In Hong Kong, the exhibition business has generally been hard hit especially in the latter part of the financial year with total admissions in the market registering a drop of approximately 21.5%. Lower film hire percentage and higher average ticket prices helped counter further shortfalls, resulting in a loss of HK\$5.1 million compared to HK\$2.7 million the previous year.

In China, our plans for Golden Peace Cinema IMAX Theatre has received a boost with the negotiation of our contract to now include a further 4 adjoining multiplex screens. With the 7 existing screens at Hai Xing and Friendship, this will bring our total number of screens in Shanghai to 11 besides the additional IMAX theatre, which is expected to be ready in the first Quarter of 2003.

戲院經營

為配合精簡及綜合業務之計劃，本集團認為應當結束區內若干表現不濟之戲院。本集團現時在香港、中國內地、新加坡及馬來西亞共有38間戲院，經營215間影院。

新加坡及馬來西亞兩地均在二零零一／二零零二年財政年度邁進新里程。儘管新加坡之整體入場水平仍然未見回升，但由於市場推廣活動及調高價格之策略均相當成功，結果本集團首次錄得溢利淨額5,700,000港元。

即使已調高票價，但賣座電影數目增多，加上馬來西亞當局減低娛樂稅，均令該國之票房及入場人次有所增加。同時，節省成本及關閉表現欠佳之戲院亦令業績表現有所改善。

香港之戲院業全面受到嚴重衝擊，本財政年度下半年之情況尤差，整個市場之入場總人數下跌約21.5%。然而，電影租金比率下降及平均票價上升均使情況不致太差，結果錄得虧損5,100,000港元，而去年之虧損則為2,700,000港元。

中國方面，本集團之上海和平IMAX三維立體電影城計劃再跨進一步，重新訂約後加入擁有4個影院之相連影城，加上現時位於海興及友誼之7間影院，本集團位於上海之影院總數將增至11間，另外更有預期將於二零零三年第一季投入服務之IMAX影院。

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Film & TV Production

While the Group maintains our interest in the kind of quality products we have always been known for, we have decided to scale back on in-house productions in 2002 in light of the current economic downturn and the shrinking of the traditional markets for Chinese language films. Instead, the Group has switched focus to financing films from other producers in return for distribution rights across the region. This allows for more optimum usage of capital while providing less risk.

Despite that, the Group's films from 2001 performed well both artistically and commercially. At the 21st Hong Kong Film Awards, "The Accidental Spy" won Best Film Editing and Best Action Choreography and was nominated for Best Sound Design and Best Visual Effects; "Para Para Sakura" was nominated for Best Original Film Song; "2002" was nominated for Best Visual Effects; and "You Shoot I Shoot" was nominated for Best Screenplay. At the 7th Golden Bauhinia Awards, "You Shoot I Shoot" won Best Screenplay and was nominated for Best Supporting Actor.

In television production, the Group went on ahead to produce several drama series including the 20-episode "The Fan Scholar" and the 30-episode "The Legend of the Tang Dynasty aka Love Affairs in the Tang Dynasty" which has proven to be very successful in Mainland China. We have been less active with filming in 2002 because of stricter production rules in the Mainland and have been spending more time developing new projects.

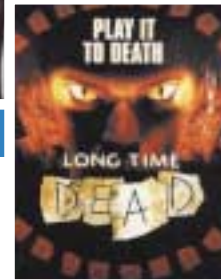
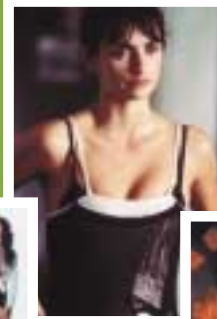
電影及電視製作

本集團一方面維持製作一貫之優質產品，一方面鑑於現時經濟不振及傳統華語電影市場萎縮之情況，在二零零二年決定減低內部製作，轉而集中為其他製片商提供電影製作資金以換取發行權，以便更有效利用資金並減低風險。

儘管如此，本集團二零零一年之電影均叫好叫座，其中「特務迷城」榮獲第二十一屆香港電影金像獎最佳剪接及最佳動作設計，亦獲提名最佳音響效果；而「芭啦芭啦櫻之花」獲提名最佳原創電影歌曲；「2002」獲提名最佳視覺效果；「買兇拍人」獲提名最佳編劇。另外，「買兇拍人」榮獲第七屆金紫荊獎最佳編劇並獲提名最佳男配角。

電視製作方面，本集團繼續製作若干電視連續劇，包括在中國內地取得空前成功之20集「摺扇探花」及30集「大唐情史」。由於內地之製作規則愈趨嚴格，本集團已於二零零二年減少進行拍攝，轉而投入更多時間開發新計劃。





Video

In video sales, the Group is seeing encouraging performance since the setting-up of the video distribution business in September 2001. Despite still being in its incubation period, the division has already contributed a net profit of HK\$1.1 million to the Group.

On the other hand, the Group has decided to discontinue the operations of its Taiwan video rental business. This is due to a drastic drop in the overall video rental market in Taiwan as well as the Group's decision to focus on its core businesses.

Music/Public Relations

The Group established a Music division and a Public Relations division in 2000 but decided to temporarily halt operations for the divisions during this financial year. This is in response to a rapidly shrinking music market and a drop in advertising budgets for respective clients. This is also part of the Group's strategy to return to its core businesses where we can leverage off our strengths and our brand name in the face of an uncertain future for the industry.

影碟

本集團自於二零零一年九月成立影碟發行業務以來，銷售成績令人鼓舞。儘管尚在起步階段，該項業務已為本集團帶來1,100,000港元之溢利淨額。

另外，由於台灣之影碟租賃市場全面大幅萎縮，且本集團決定集中發展核心業務，故此本集團已決定結束台灣之影碟租賃業務。

音樂／公關

本集團於二零零零年成立音樂部門及公關部門，但由於音樂市場迅速萎縮，且客戶之廣告預算均有減少，因此於本財政年度決定擱置該等部門之運作。此舉亦配合本集團重新集中經營核心業務之策略，在行業前景未明朗之情況下發揮本集團之優勢及品牌實力。



Prospects

The Group's tougher cost control measures and our return to core businesses and strengths will help us maintain and increase our competitive edge in the industry. The market will still be tough and we expect that it will be some time for the industry to rebound. Piracy will remain a big problem in the region for producers, distributors and exhibitors. Our consolidation will hold us in good stead in unsteady times.

Hong Kong will continue to be the base for the Group and Singapore and Malaysia will retain their strong supporting roles for us. Nevertheless, we will be focusing on developing our China market. We intend to work closely with the Hong Kong as well as the Mainland Chinese Government to facilitate the gradual opening of the market. One of our main focuses will be on looking at the possibility of getting more Chinese language films into the Pearl River Delta region. This would, in effect, significantly increase our potential domestic market ten-fold.

We still firmly believe in the potential of the Chinese language entertainment market. We also believe that the Group is in the best place to exploit this potential and position ourselves as a bridge between the rest of the world and the gradually opening Chinese market. The Group is confident that we can fully realise this potential.



前瞻

本集團更嚴謹之成本控制措施及重新集中經營核心業務及發揮本身優勢，將有助維持及提高本集團在行業中之競爭力。市場環境將仍然嚴峻，而本集團預期有關行業將需要一段時間方可恢復舊觀。盜版仍是製片商、發行商及戲院商所面對之嚴重問題。整固措施可使本集團穩扎根基，克服市場上各種衝擊。

本集團將繼續以香港為業務基地，並且以新加坡及馬來西亞配合發展。然而，本集團亦將集中開發中國市場，計劃與香港及中國內地政府緊密合作，逐步開拓內地市場，其中一個發展重點為探討將更多華語電影引進珠江三角洲之可能性。內地潛在龐大市場，將使本集團之市場有十倍之增長。

我們仍然深信華語娛樂市場之潛力，並相信本集團具備最佳優勢，可開發及全面掌握該潛在之市場，把正在逐漸開放之中國市場與全球各地接軌，並深信可全面掌握該市場。





Liquidity and Financial Resources

During the year, the Group was principally financed by cash flow generated internally. There are no bank borrowings and the net current assets amounted to HK\$70.2 million as at 30 June 2002, including cash and deposits totalling HK\$38.9 million. The gearing ratio, which was computed by dividing the total liabilities by the total assets, increased from 15% to 21%.

As at 30 June 2002, the Group had a contingent liability of HK\$48.5 million (2001: HK\$47.0 million) in respect of a guarantee of banking facilities granted to its associates.

Employees and Remuneration Policies

As at 30 June 2002, the Group had 244 (2001: 255) employees. The Group remunerates its employees largely based on industry practice. Apart from salaries, commission, provident fund and discretionary bonuses, share options are granted to certain employees based on individual merit.

流動資金及財務資源

於本年度內，本集團之營運資金主要來自內部現金流轉。本集團並無任何銀行借貸，而於二零零二年六月三十日之流動資產淨值為70,200,000港元，其中包括現金及存款合共38,900,000港元。總負債除以總資產之負債比率由15%上升至21%。

於二零零二年六月三十日，本集團就因擔保其聯營公司所獲之銀行融資而產生之或然負債，數額為48,500,000港元（二零零一年：47,000,000港元）。

僱員及薪酬政策

於二零零二年六月三十日，本集團有244名僱員（二零零一年：255名）。本集團主要根據行業慣例釐定僱員薪酬。除薪金、佣金、公積金及酌情發放之花紅外，若干僱員更可按個別表現而釐定發授購股權。

