

## 業績

截至二零零二年十二月三十一日止年度，本集團之營業額輕微減少5%至241,500,000港元（二零零一年：253,200,000港元）。經營虧損為273,100,000港元，而股東應佔虧損則為395,700,000港元。將於二零零三年五月二十七日舉行之股東周年大會上，董事將不建議就本年度派發末期股息（二零零一年：無）。

本年度虧損增加主要由於年內已確認減值虧損約260,500,000港元及為電影版權按金撥備30,000,000港元。為數約260,500,000港元之減值虧損當中，約33,200,000港元為拍攝中電影的已確認減值虧損、約136,700,000港元為電影版權的已確認減值虧損及約90,600,000港元為一個中國產生現金單位儲備商譽的已確認減值虧損。

伊拉克戰事造成的不穩定局勢，有可能對全球帶來長期影響。而在香港，嚴重急性呼吸道症候群的威脅對電影業帶來重大打擊。全球主要經濟前景略顯疲弱，令電影版權出現價格下調壓力，因此，董事於結算日重估了拍攝中電影及電影版權的可收回數額，並分別確認總共33,200,000港元及136,700,000港元的減值虧損。

由於中國有關機關之相關法規變動及本集團之中國產生現金單位持續出現虧損，本集團重估其產生現金單位資產之可收回數額，並相信應為該產生現金單位投資的應佔儲備商譽確認90,600,000港元之減值虧損，該數額已包括在本集團於截至二零零二年十二月三十一日止年度之綜合股東應佔虧損內。本集團於該產生現金單位的投資減值虧損對本集團之收益、經營虧損及現金流量均無影響。

電影版權之賬面值乃參考收益由獨立專業評估師進行之估值而釐定。估值則根據發行及轉授業務所產生之預期日後收益之現值而釐定。

## RESULTS

For the year ended 31st December, 2002, the Group's turnover slightly decreased by 5% to HK\$241.5 million (2001: HK\$253.2 million). Loss from operations amounted to HK\$273.1 million and a loss of HK\$395.7 million attributable to shareholders was recorded. At the Annual General Meeting to be held on 27th May, 2003, the directors do not recommend the payment of a final dividend for the year (2001: nil).

The increase in current year's loss was mainly attributable to the impairment loss recognised during the year of approximately HK\$260.5 million and allowance for film rights deposits of HK\$30 million. Among the impairment loss of approximately HK\$260.5 million, approximately HK\$33.2 million was recognised in respect of film in progress, approximately HK\$136.7 million was recognised in respect of film rights and approximately HK\$90.6 million was recognised in respect of goodwill held in reserves for a PRC cash-generating unit.

The uncertainties brought on by the war in Iraq are likely to haunt the world for a long time. In Hong Kong, the threat of Severe Acute Respiratory Syndrome will take a heavy toll on movie industry. With a rather gloomy outlook in the world's leading economies and the price for film rights showed downward pricing pressure. Consequently, the directors reassessed the recoverable amount of film in progress and film rights at the balance sheet date. Total impairment loss of HK\$33.2 million and HK\$136.7 million were recognised respectively.

Due to change of the relevant regulation of the PRC authority and the 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 and believe that an impairment loss of HK\$90.6 million should be recognised for the goodwill held in reserves attributable to the investment in this cash-generating unit and such amount was included in the consolidated loss attributable to shareholders of the Group for the year ended 31st December, 2002. The impairment loss on the Group's investment in this cash-generating unit had no impact on revenue, loss from operations and cash flows of the Group.

The carrying values of the film rights were 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.

## 業務回顧

於截至二零零二年十二月三十一日止年度，總營業額為241,500,000港元，其中226,200,000港元來自電影發行，餘額則來自錄影帶發行及其他服務收入。本年度毛利率約為4%（二零零一年：11%）。本集團之收入貢獻於本年度有所減少，原因為受出現不能預期因素影響，包括美國在恐怖襲擊後之復甦緩慢，香港及東南亞市場之復甦速度亦較預期為慢。來自香港、東南亞及歐美之營業額分別佔營業總額40%、14%及21%，而其營業額分別較去年營業額減少20%、17%及20%。此外，來自香港及東南亞之貢獻產生分類虧損。香港電影市道尤其不濟。本集團於年內在市場上發行了10部電影，其中4部電影更名列二零零二年度十大最高票房港產片。根據香港影業協會提供之數據，二零零二年港產片之總票房較二零零一年下跌了約24%。本集團之票房表現亦無可避免地受疲弱的香港電影業影響。事實上，本集團於二零零二年之表現較市場平均表現略佳。

中國市場之營業額佔營業總額約23%（二零零一年：8%），較去年營業額大幅攀升188%。於二零零二年初，本集團與本集團之聯營公司—豐采多媒體集團有限公司（「豐采多媒體」）訂立地區供應協議及特許權協議。根據特許權協議，本集團向豐采多媒體及其附屬公司（「豐采集團」）出售116套電影在中國之發行權，代價為33,800,000港元。根據地區供應協議，本集團同意給予豐采集團有關本集團作品在中國地區發行權之優先購買權。因此，來自中國市場的營業額增加至56,300,000港元，其中約50,100,000港元來自豐采集團。

中國市場於年內之表現顯示該市場之增長前景，加上豐采集團之分銷網絡，其貢獻將會十分可觀。董事相信，憑藉此機會的優勢，透過製作更多適合中國市場之電影，建立本集團的市場佔有率乃極其重要。

## REVIEW OF OPERATIONS

For the year ended 31st December, 2002, total turnover was HK\$241.5 million, of which HK\$226.2 million were derived from film distribution and the balance from video distribution and other services income. The gross profit ratio for the year was about 4% (2001: 11%). This year, revenue contribution to the Group has decreased due to unexpected development including the recovering of the USA after the terrorism was slow, revival of Hong Kong market and South-East Asia market were below our expectation. The turnover from Hong Kong, South-East Asia and America and Europe accounted for 40%, 14% and 21% of total turnover respectively whereas their turnover had decreased by 20%, 17% and 20% respectively when compared with their turnover in last year. Besides, the contribution from Hong Kong and South-East Asia had incurred segment losses. The performance of Hong Kong theatrical market was particularly poor. The Group has released ten films in the market during the year and four of them were listed among the top ten best selling Chinese films in year 2002. Based on the figures provided by Hong Kong Kowloon and New Territories Motion Picture Industry Association Limited, the total box offices of the Chinese films for the year 2002 had decreased by about 24% when compared with 2001. The box offices of the Group were inevitably affected by the weakness of film industry in Hong Kong. In fact, our performance was slightly higher than the market average in the year 2002.

The turnover from PRC market accounted for about 23% (2001: 8%) of total turnover and a significant increase of 188% when compared with its turnover in last year. In early 2002, the Group and Riche Multi-Media Holdings Limited ("Riche Multi-Media"), the associate of the Group entered into a territory supply agreement and a license agreement. Pursuant to the license agreement, the Group had sold 116 films' PRC rights to Riche Multi-Media and its subsidiaries ("Riche Group") with the consideration of HK\$33.8 million. Pursuant to the territory supply agreement, the Group has agreed to grant Riche Group a first right of refusal to acquire the PRC territory distribution rights in respect of the Group's production. As a result, the turnover from PRC market had increased to HK\$56.3 million of which approximately HK\$50.1 million were contributed by Riche Group.

The performance of PRC market during the year indicates the growth prospectus of the market and its contribution will be promising with the distribution networks of Riche Group. The directors believe that it is important to take advantage of this chance to establish our market share by producing more films that tailored PRC market.

於二零零一年，本集團已採用多種方法以節省行政支出，包括積極外判非核心業務以節省薪金及營運開支，以集中資源經營本集團之專長及核心業務。成本節約之成效已於二零零二年度反映。截至二零零二年十二月三十一日止年度，未計折舊及攤銷前之行政支出減少約20%至約70,100,000港元。員工成本及租金費用分別大幅減少約29%及33%至約30,100,000及4,900,000港元。現階段不會停止進行成本節約。管理層將定期檢討集團之營運，以確保所有支出均以最高效用及最有效率的方式運用，並預期行政開支出將於來年進一步減少。

### 流動資金及財務資源

於二零零二年十二月三十一日，本集團之資產總值約為970,700,000港元，而流動資產淨值約為357,400,000港元，即流動比率3.8（二零零一年：4.2）。本集團之現金及銀行結存總額約為72,800,000港元（二零零一年：47,000,000港元）。於二零零二年十二月三十一日，本集團之債項總額約為39,100,000港元，包括來自銀行之按揭貸款約19,100,000港元及無抵押可換股貸款票據（「票據」）20,000,000港元。本集團於年內之負債資本比率，以債項總額39,100,000港元與股東資金798,700,000港元比對，仍屬偏低。資本負債比率為5%（二零零一年：13%），其計算基準為以本集團之借款總額除以股東資金。本集團之按揭貸款以商業利率計算利息，在十年內分期償還，以本集團若干位於香港之投資物業作抵押，其賬面值為27,800,000港元。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（於二零零二年十二月三十一日，換股價已調整至每股5.83港元）轉換為本公司股本中每股面值0.05港元之股份。

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，另與本公司訂立認購協議。根據配售協議，多實及Porterstone按每股0.095港元之價格向獨立投資者配售

In the year 2001, the Group had deployed various means to reduce administrative expenses, included actively outsource non-core business to reduce salary and operating expenses, so as to focus our energy on our own expertise and core business. The cost reduction result has been reflected in the year 2002. Administrative expenses before depreciation and amortisation decreased by about 20% to approximately HK\$70.1 million for the year ended 31st December, 2002. Staff costs and rental expenses decreased substantially by about 29% and 33% to HK\$30.1 million and HK\$4.9 million respectively. This cost reduction progress will not stop at this moment. The management will regularly review our Group's operation so as to ensure all expenses are spending in their most effective and efficient manner and we expect the administrative expenses will further cut down in next year.

### LIQUIDITY AND FINANCIAL RESOURCES

At 31st December, 2002, the Group had total assets of approximately HK\$970.7 million and net current assets of approximately HK\$357.4 million, representing a current ratio of 3.8 (2001: 4.2). The Group had a total cash and bank balances of approximately HK\$72.8 million (2001: HK\$47.0 million). As at 31st December, 2002, the Group had total borrowings of approximately HK\$39.1 million comprising mortgage loan from a bank of approximately HK\$19.1 million and unsecured convertible loan notes ("Notes") of HK\$20 million. The Group's gearing remained low during the year with total debts of HK\$39.1 million against shareholders' funds of HK\$798.7 million. This represents a gearing ratio, calculated on the basis of the Group's total borrowings over shareholders' fund, of 5% (2001: 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 investment properties located in Hong Kong with a carrying value of HK\$27.8 million. 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 (as of 31st December, 2002, the conversion price were adjusted to HK\$5.83 per share) on or after 1st July, 2002.

On 2nd March, 2002, 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. Pursuant to the placing agreement, Dorest and Porterstone placed 302,000,000 placing shares to independent investors at a price

302,000,000股配售股份。根據認購協議，多實及Porterstone按每股0.095港元之價格認購352,653,393股認購股份。於二零零二年三月十五日發行供認購之352,653,393股股份而獲得款項淨額約為32,000,000港元，其中約20,000,000港元已用作電影製作，而餘額約12,000,000港元則已用作本集團之一般營運資金。

於二零零二年五月三日，本公司按於二零零二年四月十二日每持有兩股股份可獲發一股供股股份之比例，以供股方式按每股供股股份0.05港元之認購價發行1,057,960,179股每股面值0.05港元之新股份。供股所得款項淨額約為51,000,000港元，其中約35,000,000港元已用作電影製作，而餘額約16,000,000港元則已用作本集團之一般營運資金。

配售代理分別於二零零二年六月一日與Porterstone訂立配售協議，並於二零零二年六月三日與Porterstone、多實、向華強先生及陳明英女士（「承配人」）訂立補充配售協議（「配售協議」）。承配人與本公司分別於二零零二年六月一日及二零零二年六月三日訂立認購協議及補充認購協議（「認購協議」）。根據配售協議，承配人按每股0.063港元之價格向獨立投資者配售446,000,000股配售股份。根據認購協議，承配人按每股0.063港元之價格認購634,776,107股認購股份。於二零零二年六月十四日發行供認購之634,776,107股股份而獲得之款項淨額約為39,000,000港元，其中約25,000,000港元已用作電影製作，而餘額約14,000,000港元則已用作本集團之一般營運資金。

於二零零二年十月二日，本公司按二零零二年九月九日每持有一股股份可獲發一股供股股份之比例，以供股方式按每股供股股份1.25港元之認購價發行76,173,132股每股面值0.05港元之新股份，並以發行紅股方式根據供股接納一股供股股份可獲發一股紅股之比例，發行76,173,132股每股面值0.05港元之新股份，股款須於接納時繳足。所得款項淨額約為92,000,000港元，其中約

of HK\$0.095 per share. Pursuant to the subscription agreement, Dorest and Porterstone subscribed for 352,653,393 subscription shares at a price of HK\$0.095 per share. 352,653,393 shares issued for the subscription on 15th March, 2002 with net proceeds of approximately HK\$32 million were used as to approximately HK\$20 million for movie production and as to approximately HK\$12 million for general working capital of the Group.

On 3rd May, 2002, the Company issued 1,057,960,179 new shares of HK\$0.05 each by way of a rights issue on the basis of one rights share for every two shares held on 12th April, 2002 at a subscription price of HK\$0.05 per rights share. The net proceeds of approximately HK\$51 million were 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.

A placing agent entered into a placing agreement on 1st June, 2002 with Porterstone and a supplemental placing agreement with Porterstone, Dorest, Mr. Heung Wah Keung and Ms. Chen Ming Yin, Tiffany (the "Placees") on 3rd June, 2002 respectively ("Placing Agreements"). The Placees entered into a subscription agreement and a supplemental subscription agreement with the Company on 1st June, 2002 and 3rd June, 2002 respectively ("Subscription Agreements"). Pursuant to the Placing Agreements, the Placees placed 446,000,000 placing shares to independent investors at a price of HK\$0.063 per share. Pursuant to the Subscription Agreements, the Placees subscribed for 634,776,107 subscription shares at a price of HK\$0.063 per share. 634,776,107 shares issued for the subscription on 14th June, 2002 with net proceeds of approximately HK\$39 million were used as to approximately HK\$25 million for movie production and as to approximately HK\$14 million for general working capital of the Group.

On 2nd October, 2002, the Company issued 76,173,132 new shares of HK\$0.05 by way of a rights issue on the basis of one rights share for every one share held on 9th September, 2002 at a subscription price of HK\$1.25 per rights share, and 76,173,132 new shares of HK\$0.05 each by way of a bonus issue on the basis of one bonus share for every one rights share taken up under the rights issue payable in full on acceptance. The net proceeds of approximately HK\$92 million were intended to be used by the Group as to approximately HK\$75 million for movie production and the balance of approximately HK\$17 million

75,000,000港元計劃用作電影製作，而餘額約17,000,000港元則作為本集團之一般營運資金。於二零零二年十二月三十一日，約35,000,000港元已用作電影製作，而約17,000,000港元已用作一般營運資金。餘數約40,000,000港元所得款項淨額於結算日後用作電影製作。

鑑於本集團所經營之業務須面對之外匯兌換風險不大，因此毋須進行任何對沖活動。於二零零二年十二月三十一日，本集團並無任何重大或然負債。

### 聯營公司

於二零零二年十二月三十一日，豐采集團主要從事節目發行、銷售廣告版權及轉授節目特許權，擁有資產淨值約220,100,000港元，而本集團本年度分佔虧損約9,800,000港元。於年內，本集團收購豐采多媒體額外股權1.97%，故權益由38.64%增至40.61%。

於二零零二年十二月，本集團以總代價40,000,000港元收購Golden Capital International Limited（「Golden Capital」）（一間擁有北京澳昌科技有限公司（「澳昌」）55%權益之投資控股公司）36.5%權益。澳昌主要於中國從事電訊、資訊科技及解決方案之開發及生產業務。根據本集團與賣方及賣方股東（作為擔保人）訂立之買賣協議及補充協議，賣方將退回一筆相等於獨立估值報告所列值之20%與本集團已付代價40,000,000港元之不足額。獨立估值報告將於完成日（預計二零零三年中）後六個月內完成。另外，賣方保證Golden Capital截至二零零三年十二月三十一日止年度之股息不會少於10,000,000港元。倘Golden Capital截至二零零三年十二月三十一日止年度之股息少於10,000,000港元，賣方及賣方股東同意支付本集團一筆相等於10,000,000港元與本集團實際已收股息之款項之不足額。於年內，本集團應佔Golden Capital之業績不大。由於收購Golden Capital，本集團預計能增加其盈利能力，並確保來年收入穩定。

as general working capital. At 31st December, 2002, approximately HK\$35 million was used for movie production and approximately HK\$17 million was applied as general working capital. The remaining net proceeds of approximately HK\$40 million has been applied for movie production subsequent to the balance sheet date.

In view of the operation of the Group, the exposure to fluctuation in exchange rates was considered limited and no hedge activity were considered necessary. At 31st December, 2002, the Group had no significant contingent liability.

### ASSOCIATES

At 31st December, 2002, Riche Group that principally engaged in distribution of programmes, sales of advertising rights and sub-licensing of programme rights had net assets of approximately HK\$220.1 million and the Group had shared a loss of approximately HK\$9.8 million for the year. During the year, the Group had acquired an additional equity interest of 1.97% in Riche Multi-Media and thus the Group's interest was increased from 38.64% to 40.61%.

In December, 2002, the Group acquired 36.5% interest in Golden Capital International Limited ("Golden Capital"), an investment holding company for 55% interest in 北京澳昌科技有限公司 ("Austchina") for a total consideration of HK\$40 million. Austchina is principally engaged in the business of development and production of telecommunication and information technology and solution in the PRC. Pursuant to the sales and purchase agreement and supplemental agreement entered into between the Group, the vendor and the vendor's shareholder (who acts as the guarantor), the vendor will refund a sum equivalent to the shortfall between 20% of the value stated in the independent valuation report and the consideration of HK\$40 million paid by the Group. The independent valuation report will be completed within six months after the completion date which is expected in mid 2003. In addition, the vendor also warrants that dividends from Golden Capital for the year ending 31st December, 2003 will not be less than HK\$10 million. In the event that dividends from Golden Capital for the year ending 31st December, 2003 are less than HK\$10 million, the vendor and the vendor's shareholder agreed to pay the Group a sum equivalent to the shortfall between HK\$10 million and the actual dividends received by the Group. During the year, the result of Golden Capital shared by the Group is considered immaterial. With the acquisition of Golden Capital, the Group is expected to increase its revenue generating ability and secured a stable income in next year.

根據本集團及第三方訂立之意向書及契約，本集團將購入一間從事中國客車錄影帶廣告業務之公司49%股權，代價不多於98,000,000港元。於二零零二年十二月三十一日，根據意向書，此項投資已付按金49,000,000港元。倘本集團因任何理由未能通過財務及法例方面的盡職審查，按金將可退回。預計完成日期為二零零三年九月三十日或以前。代價餘額將由內部財務資源撥付。收購該項投資將為本集團之電影及電視連續劇建立一項新的分銷媒體。

## 展望

本集團將貫徹其長期策略，以維持其於電影製作業之領先地位、增加其市場佔有率及市場滲透率。本集團將繼續注入新元素刺激電影製作，並提高電影質素。由於預期中國市場會帶來巨額收入，本集團每年電影產量將會有所提高。面對如此艱難的環境，本集團將繼續緊遵其成本控制措施，嚴格監控電影製作成本、電影發行及宣傳成本，以改善本集團之整體貢獻。

## 僱員及購股權計劃

於二零零二年十二月三十一日，本集團僱用141名員工，當中46名員工駐守中國。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最重要元素。員工之酬金乃根據彼等之工作表現、專業經驗及同業慣例而釐定。除基本薪金、強制性公積金、醫療計劃及酌情花紅外，若干員工更可按個別表現評估獲授購股權。

本公司於一九九六年十月二十三日採納之購股權計劃已於二零零二年五月二十七日終止。一項新購股權計劃已於二零零二年五月二十七日獲本公司採納。

Pursuant to the letters of intent and deeds entered into between the Group and a third party, the Group will purchase 49% equity interest in a company which principally engages in video advertising business on coaches in the PRC at a consideration of not more than HK\$98 million. At 31st December, 2002, the Group paid a deposit of HK\$49 million pursuant to the letters of intent. This deposit is refundable if the Group is not satisfied with the financial and legal due diligence for any reason. The expected completion date is on or before 30th September, 2003. The balance of the consideration is to be financed by internal financial resources. The acquisition of this investment will establish a new distribution media for our motion pictures and television drama series.

## PROSPECT

The Group will keep on its long term strategy as to maintain its leading position in film production industry, increase its market share and market penetration. It will continue to add in new elements to stimulate film production and improve the quality of films. With the huge expected revenue to be contributed by the PRC market, its annual film output will be enhanced. In this difficult environment, the Group will also continue its stringent cost control measures in film production costs and film distribution and promotion costs in order to improve the overall contribution to the Group.

## EMPLOYEES AND SHARE OPTION SCHEME

As at 31st December, 2002, the Group employed 141 staffs of which 46 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.

The share option scheme adopted by the Company on 23rd October, 1996 was terminated on 27th May, 2002. A new share option scheme was adopted by the Company on 27th May, 2002.