

*Management
Discussion
and Analysis*
管理層討論及分析





REVIEW OF OPERATIONS

Overview

The film and entertainment industry have been hard hit by poor economic conditions and piracy across the region in previous years. Added to the unchanged economic situation, the outbreak of Severe Acute Respiratory Syndrome (SARS) has severely impacted the exhibition and distribution businesses in Hong Kong.

As predicted last year, box office receipts in Hong Kong was on a downward spiral, falling from HK\$1,037 million in 2001/2002 to HK\$841 million in 2002/2003. Besides the economic downturn and SARS, the Group also attributes this downward trend to a lack of good cinemas, the high cost of land and rental and an insufficient supply of movies. This outlook is unlikely to change in the short term.

Despite that, however, the Group's financial standing has stood firm and we continue to operate debt-free with the promise of new revenue avenues opening up in the coming year. The Group will continue to explore new investment opportunities in and out of Hong Kong to further develop its core businesses of distribution and exhibition.

業務回顧

回顧

電影及娛樂事業在過去數年已飽受經濟不景與區內盜版猖獗的嚴重打擊，而在今年經濟未能擺脫困境之時，嚴重急性呼吸系統綜合症（「沙士」）爆發對香港之戲院經營及電影發行業務來說更是雪上加霜。

正如去年所預計，香港之票房收益拾級而下，由二零零一／二零零二年之1,037,000,000港元減至二零零二／二零零三年之841,000,000港元。本集團認為，除經濟衰退與沙士肆虐外，本地缺乏優質影院，土地成本與租金高企，再加上片源不足，都是票房收益下降之原因，而此等問題亦難以在短期內得到解決。

雖然票房收益未如理想，但本集團之財務狀況維持穩健。本集團繼續在毋須舉債之情況下經營，並有信心可於來年開拓新收入來源。本集團將繼續發掘香港與其他地區之新投資商機，並致力進一步發展電影發行及戲院經營等核心業務。



Subsequent to this report, the Group started the first stage of its plans to attract new investment to the Group in August 2003. Several new investors including actor and producer Jackie Chan invested HK\$23.4 million by subscribing to 83,400,000 new shares issued by the Company. This will be an ongoing strategy for the Company.

Finance

For the financial year ended 30 June 2003, the Group incurred a loss of HK\$141.4 million as compared to a loss of HK\$86.6 million last year. The figures include normal operating losses of HK\$57.3 million and exceptional items

於結算日後，本集團於二零零三年八月開始其引入新投資者計劃之首階段。包括身兼演員和監製之國際巨星成龍先生在內之多名新投資者認購本公司發行之83,400,000股新股份，對本公司作出23,400,000港元之投資。引入新投資者將成為本公司之長遠策略。

財務

截至二零零三年六月三十日止財政年度，本集團錄得之虧損為141,400,000港元，而去年錄得之虧損則為86,600,000港元。虧損包括一般經營虧損57,300,000港元以及



of HK\$84.1 million. The normal operating losses included approximately HK\$14.5 million that was attributable to the impact of SARS. Barring the SARS impact, it meant that our normal operating losses showed an improvement over the loss of HK\$45.4 million incurred the previous year.

A major portion of the exceptional items incurred were attributed to production-related appraisals, in particular goodwill accounts, and provisions for the IMAX project and cinema operations in Shanghai. While these strongly affected our profit and loss for the current year, they will not affect the balance sheet for the coming years. The increase in losses did not adversely affect the Group's cash flow from operating activities, which was in fact improved as compared to the previous year. Our expenditure is under good control and head count is down slightly, thus bringing down operating costs. The Group also continues to operate with no outstanding bank loans.

The Group's strategy to move from production to film financing and distribution has also brought in further income. The Group produced only one film, "My Lucky Star", this year, and has financed films such as the highly successful "Twins Effect", "Golden Chicken" and "The Touch".

非經常性虧損 84,100,000 港元。一般經營虧損中有約 14,500,000 港元乃沙士造成，撇除沙士之影響後，本集團之一般經營虧損較去年之 45,400,000 港元有所改善。

本年度錄得之非經常性項目中，大部份為製作相關之估值，而商譽賬及IMAX項目與上海之戲院業務撥備更佔去大多數。雖然本年度之業績大受影響，但本集團往後之資產負債表並不會受此影響。賬面上之虧損擴大，對本集團之營運現金流轉並無不利影響，實質虧損倒是較去年收窄。集團之成本控制措施奏效並且略為削減人手，降低了經營成本。本集團之業務仍然毋須以銀行借貸挹注。

本集團由電影製作轉為融資及集中發行業務之策略帶動進一步收入。本集團於年內只製作了一齣電影《行運超人》，及融資於《千機變》、《金雞》及《天脈傳奇》等賣座影片。



While the Hong Kong exhibition has suffered from SARS and the economic downturn, the Group's exhibition businesses in Singapore and Malaysia have seen a strong rebound this year, with market box offices growing by 7% and 16% respectively.

Film Distribution

The total box office of Hong Kong fell from HK\$1,037 million to HK\$841 million, a 19% slump for the financial year under review. This was largely attributable to a lack of strong Chinese language films and fewer summer blockbusters.

The Group distributed 17 Chinese language and 26 non-Chinese language films in the 2002/2003 financial year, compared with 23 Chinese language films and 43 non-Chinese language films in the previous year. Chinese language films distributed by the Group outperformed competitors at the box office, giving the Group a 46% market share for the year under review.

Through film financing, the Group managed to secure distribution rights to a number of external films for its Gala Circuit. Of the top 10 box office hits of the year, the Group distributed "My Lucky Star", "Infernal Affairs", "Twins Effect" and "Golden Chicken". "Infernal Affairs", in particular, was the box office champion for 2002/2003.

雖然香港的戲院經營業務受沙士與經濟下滑影響，但集團於新加坡及馬來西亞之戲院經營業務則出現強勁反彈，票房收益分別增長7%及16%。

電影發行

於本財政年內，由於缺乏優質華語電影及缺少暑期賣座猛片，香港總票房收益由1,037,000,000港元跌至841,000,000港元，下跌19%。

本集團於二零零二／二零零三年財政年度一共發行17齣華語電影及26齣非華語電影，而去年則發行23齣華語電影及43齣非華語電影。本集團發行之華語電影之票房收益遠勝對手，市場佔有率達46%。

本集團以融資換取數齣外間製作電影在嘉樂院線放映之發行權。在本年度十大賣座電影中，本集團發行的佔去其中四席，包括《行運超人》、《無間道》、《千機變》及《金雞》，而《無間道》更是二零零二／二零零三年的票房冠軍。



Due to a lack of strong non-Chinese language products, the Group saw its market share fall from 19% to 13%, with total box office receipts of HK\$62 million approximately half of that from the previous year's.

Despite that, the Group's distribution fee income from Hong Kong was up HK\$7.1 million. A drop in income from auxiliary rights and overseas traditional markets brought total distribution fee income down by approximately HK\$2 million.

Exhibition

In accordance with the Group's strategy to strengthen its core business in exhibition, the Group has consolidated its exhibition business across the region and is looking at further avenues to grow its business. The Group now operates 211 screens in 37 cinemas in Hong Kong, Mainland China, Singapore and Malaysia, and is exploring other opportunities for investment.

由於缺乏優質之非華語電影，本集團之市場佔有率由19%減至13%，總票房收益為62,000,000港元，僅及約去年一半。

縱然如此，本集團在香港之發行費收入上升7,100,000港元。其他輔助權益與海外傳統市場之收入下降使總發行費收入減少約2,000,000港元。

戲院經營

為配合本集團加強其戲院經營此核心業務之策略，本集團已鞏固區內之戲院經營業務，並繼續發掘其他渠道拓展業務。本集團現時在香港、中國內地、新加坡及馬來西亞共有37間戲院，經營211間影院。



Despite the SARS outbreak, our exhibition businesses in Singapore and Malaysia have maintained a healthy outlook achieving their best results since the 1997 financial crisis. In Singapore, box office receipts for the financial year jumped 7% to S\$109 million and the Group's market share pushed to 43.5%. This has been attributed to our successful marketing campaign as well as the strong performances of non-peak season releases such as "Lilo & Stitch" and "The Tuxedo". In November 2002, the Group also converted one of its existing screens to the Republic's first commercial IMAX screen.

In Malaysia where the Group controls 45% plus 37% of the market through Golden Screen Cinemas Sdn Bhd ("GSC") and Tanjong Golden Village Sdn Bhd ("TGV") respectively, overall box office receipts increased by 16% to RM112 million in the financial year under review. At TGV, box office receipts were up 18% to RM41.4 million, and operating results doubled to RM6.6 million after including a RM2.5 million insurance compensation from a fire accident two years ago. GSC reported box office up 41.3% and a profit of RM1.3 million compared to a loss of RM6.9 million the previous year.

The strong performances have been attributed to the full effects of the reduction in entertainment tax introduced the year before. The Group increased its stake in TGV from 25% to 33.3% in October 2002.

沙士爆發並無對新加坡與馬來西亞之戲院經營業務造成太大打擊。當地業務更取得自一九九七年金融風暴以來之最佳成績，前景樂觀。新加坡於本財政年度之票房收益躍升7%至109,000,000新加坡元，本集團之市場佔有率則攀升至43.5%，得力於相當成功之市場推廣活動及淡季上映之電影如《扮嘢小魔星》及《特務踢死兔》等大收旺場所。本集團亦於二零零二年十一月將一間影院改建成當地首間商業IMAX影院。

本集團透過Golden Screen Cinemas Sdn Bhd (「GSC」)與Tanjong Golden Village Sdn Bhd (「TGV」)分別控制45%及37%市場佔有率，整體票房收益於本財政年內上升16%，增至112,000,000馬幣。TGV之票房收益升至41,400,000馬幣，升幅達18%，若計算兩年前火災之2,500,000馬幣保金賠償後，經營業績倍增至6,600,000馬幣。而GSC則成功轉虧為盈，由去年錄得虧損6,900,000馬幣至本年票房收入增加41.3%及錄得盈利1,300,000馬幣。

馬來西亞業務表現理想，歸功於當局在前年調低娛樂稅之效益全面呈現。本集團於二零零二年十月增持TGV股權，由25%升至33.3%。



In Hong Kong, however, the exhibition business bore the full brunt of the outbreak of SARS as well as a lack of summer blockbusters, bringing losses of HK\$24.5 million – an increase of HK\$19.4 million over last year. The Group's market share fell slightly from 15% to 14%.

In Mainland China, the Group's cinemas faced growing competition from newly-opened cinemas, particularly near Hai Xing. Box office receipts dropped by 13% to HK\$5.3 million, but the impact was offset by lower film hire percentage and rental reductions.

In reviewing our exhibition strategy in Mainland China, we foresee a period of over-competition in the market. We have thus decided to concentrate our resources in other areas where we can build an ongoing competitive advantage. As such, the Group has divested its interests in the Peace IMAX project and is now considering disposing of our interests in our other two cinemas in Shanghai.

Film & TV Production/Finance

The Group 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

雖然新加坡與馬來西亞業務取得滿意業績，但香港之戲院經營業務則因為沙士爆發與缺乏暑期賣座巨片而錄得24,500,000港元虧損，較去年增加19,400,000港元。本集團之市場佔有率由15%微跌至14%。

集團旗下位於中國內地之戲院面對新開業戲院之競爭，而海興戲院一帶之競爭尤其激烈。票房收益跌至5,300,000港元，減幅為13%，幸得電影租金比率下降及租金下調來彌補收益下跌之影響。

集團檢討過中國內地之戲院經營策略後，預料內地市場將步入競爭過烈之時期，因此決定集中資源在可以建立起持續競爭優勢之業務範疇。因此，本集團已撤銷和平IMAX項目之投資，現亦考慮出售另外兩間上海戲院之權益。

電影及電視製作／融資

有見目前經濟不景及華語電影之傳統市場萎縮，本集團於二零零二年決定減少內部製作。於二零零二／二零零三年財政年



films. In the 2002/2003 financial year, the Group produced only one film "My Lucky Star", switching its focus instead to financing films from other producers in return for distribution rights across the region. Among the top films financed by the Group are "Twins Effect", "Golden Chicken" and "The Touch".

In television production, the Group invested in three Mainland Chinese television drama series which brought in royalty income of HK\$9.4 million this year. Results were below expectation and a provision of impairment for HK\$2 million was made for prudence.

Video

Our scaled back production numbers have had an effect on our video sales, with royalty income mainly being attributed to the Group's lunar new year hit "My Lucky Star".

Prospects

Despite the underperformance of some sectors of the Group's businesses, the Group's strict financial control measures and the growing returns from its other Asian businesses will help us retain our competitive edge in the business. Although the effects from SARS and the economic downturn will still likely

度，本集團只製作了《行運超人》一齣電影，但轉而集中為其他製片商提供融資以換取區內之發行權。本集團融資之賣座電影包括《千機變》、《金雞》及《天脈傳奇》。

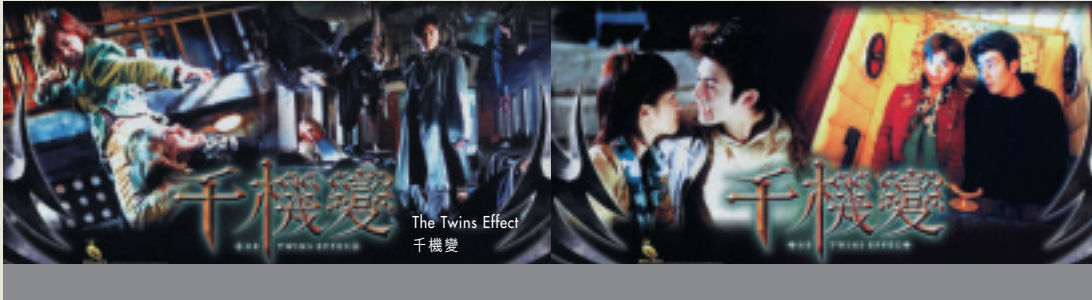
電視製作方面，本集團投資拍攝三齣中國內地電視連續劇集，年內帶來9,400,000港元之版權收入。此業務業績未如理想，為審慎起見，本集團已就此作出2,000,000港元撥備。

影碟

本集團減少內部製作數目亦影響到影碟銷售，版權收入主要來自叫好又叫座之賀歲片《行運超人》。

前瞻

雖然本集團部份業務表現較為遜色，但本集團嚴謹之財務控制措施以及其他亞洲業務回報持續攀升，有助本集團維持在業內之競爭優勢。雖然沙士與經濟衰退之影響仍需要一段時間方會退卻，但本集團有信心



be felt for some time, the Group is confident that our focus on our core businesses will give us an edge in these tough times.

Hong Kong will continue to be the base for the Group and Singapore and Malaysia will retain their strong supporting roles for us.

The Group will continue growing its core businesses with an eye on the Asian markets as a whole and will be looking at further expansion and investment opportunities in new territories and markets.

With the signing of the Mainland China-Hong Kong Closer Economic Partnership Arrangement (CEPA), the Group will be also actively looking for new investment opportunities in Mainland China.

The Chinese language entertainment industry remains one with great potential. We believe the Group's strength and vision across the Asian markets will help us realise this potential to develop and exploit those growing markets.

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group was principally financed by cash flow generated internally. As at 30 June 2003, the Group's cash balances stood at HK\$28.4 million and the net current liabilities at HK\$17.3 million. The gearing ratio,

心，專注發展核心業務之策略，可讓本集團在此艱難時期中處處領先。

本集團將繼續以香港為業務基地，並以新加坡及馬來西亞來配合香港的發展。

本集團在發展核心業務之同時亦會放眼亞洲市場，發掘在新地區與市場之拓展及投資商機。

簽署《內地與香港關於建立更緊密經貿關係的安排》(CEPA)後，本集團亦會積極發掘中國內地之新投資商機。

華語娛樂事業依然具備無限潛力。本集團相信，憑藉自身於亞洲市場之實力與視野，當可大力發展及開拓此龐大市場。

流動資金及財務資源

年內，本集團之營運資金主要來自內部現金流轉。於二零零三年六月三十日，本集團之現金結餘有28,400,000港元而流動負債淨值則為17,300,000港元。總負債除以



which was computed by dividing the total liabilities by the total assets, increased from 21% to 29%. Subsequent to the balance sheet date, on 1 August 2003, the Group successfully placed new shares to third party individuals and institutional investors at HK\$0.28 per share and the net proceeds of approximately HK\$23.4 million were used to provide additional working capital of the Group. The Group continues to operate debt-free and there are no bank borrowings and charges on the Group's assets.

As at 30 June 2003, the Group had a contingent liability of HK\$48.2 million (2002: HK\$48.5 million) in respect of a guarantee of banking facilities granted to its associates.

The Group's assets and liabilities are principally denominated in Hong Kong dollars except investments in associates located in Singapore and Malaysia. In view that the Malaysian Ringgit is pegged to the United States dollars and the exchange rate between Singapore dollars and Hong Kong dollars has been relatively stable for the past two years, the directors were of the view that the Group's exposure to currency exchange risk was minimal. There was no hedging of foreign currencies carried out by the Group accordingly.

總資產之負債比率由21%上升至29%。於結算日後，本集團成功於二零零三年八月一日以每股0.28港元配售新股予獨立第三者及機構投資者並獲得款項淨額約23,400,000港元作為本集團之額外營運資金。本集團繼續在毋須舉債下經營，無任何銀行借貸及資產抵押。

於二零零三年六月三十日，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48,200,000港元（二零零二年：48,500,000港元）。

除位於新加坡及馬來西亞等聯營公司之投資外，本集團之資產及負債主要以港元定值。由於馬來西亞幣與美元掛鈎而新加坡幣對港元之滙率於過去兩年均相對穩定，董事認為本集團之外滙風險偏低，故本集團沒有採取任何外滙對沖政策。



Johnny English
特務艷J

The Core
地心浩劫

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2003, the Group had 232 (2002: 244) employees. The Group remunerates its employees largely based on industry practice. Apart from salaries, commission, mandatory provident fund and discretionary bonuses, share options are granted to certain employees based on individual merit.

僱員及薪酬政策

於二零零三年六月三十日，本集團有232名僱員（二零零二年：244名）。本集團主要根據行業慣例釐定僱員薪酬。除薪金、佣金、強制性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。