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## **CHAIRMAN'S STATEMENT**

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### **BUSINESS REVIEW**

In 2003, the outbreak of SARS affected all industries in Hong Kong and the film industry was left without unscathed. As a result, the Group's turnover last year was decreased by 29.8%. Fortunately, the Group ran the film processing and advertising business in a conservative and prudent manner and only produced and launched 3 films, though the turnover slightly decreased but the Group could still maintain a balanced fund flow with a modest profit.

### **FUTURE PROSPECT**

The implementation of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) from 1st January, 2004 has provided the Hong Kong film industry with crops of favourable policies. It is the advance of spring to the local film industry. The Group will gear up its pace to shoot more movies and television series to increase revenue.

In the area of advertising, we formed a joint-venture advertising company in Guangzhou at the end of last year with a view to opening up the advertising market in the Mainland China.

Film processing business is already on its way to the Mainland China market. The Group has already signed a co-operation agreement with Hengdian Group of Zhejiang with a plan to form a joint venture company in Hengdian. The joint venture company will provide film processing, copying, editing, sound mixing, dubbing and any other post-production work for films.

The Group formed a joint-venture in Beijing named “北京東方新青年文化發展有限公司”, signed an agreement with the China National Youth Palace Association to develop “Be a Good Actor”, a drama-training program. Called to a halt by the the outbreak of Severe Acute Respiratory Syndrome last year, the training will be re-launched this year and will be offered to approximately 1,500 Youth and Children's Palaces throughout the nation.

Last year, the Group formed “浙江東方國際發展有限公司”, a joint-venture in Zhejiang and acquired 金華國際大酒店. With business operations posting a profit last year, we are optimistic with its outlook.

### **EMPLOYEE AND REMUNERATION POLICIES**

As at 31st December, 2003, the Group employed 79 staff members, including approximately 56 staff in the film processing and development department.

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Apart from basic salaries, discretionary bonus and contribution to the mandatory provident fund for staff in Hong Kong, share options may also be granted to staff with reference to the individual's performance.

### **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*

15th April, 2004