

Management

Discussion and Analysis

管理層討論及分析



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整體回顧

本財政年度為本集團歷來經營最困難的年度之一。由於出現持續通縮的情況，加上失業率不斷上升，本地經濟之復甦亦無明顯跡象，年內爆發非典型肺炎，令二零零三年度上半年本港整體經營環境雪上加霜，並嚴重影響本集團之經營環境。

經營業績

於截至二零零三年六月三十日止年度，本集團之綜合營業額為港幣251,200,000元，較前一個財政年度下跌18.1%。本集團亦是自上市以來首次錄得虧損，二零零二／二零零三年財政年度之股東應佔虧損為港幣29,500,000元，下跌之主要原因為：

- 鑒於本地經濟情況不明朗，故集團對電影版權作出約港幣37,100,000元之減值撥備；
- 由於市場上電影供應量減少，令版權費飆升；及
- 競爭激烈及經營氣氛薄弱令錄像產品價格持續受壓，以致集團核心業務分部之收入及溢利能力減少。

業務回顧

錄像發行

雖然錄像發行業務於財政年度上半年錄得令人鼓舞之4.3%增長，但非典型肺炎之爆發嚴重影響了二零零三年上半年之錄像發行銷售額，令其全年表現較二零零一／二零零二年財政年度遜色。本財政年度錄像發行之收入為港幣186,200,000元，減少約22.3%。

OVERALL REVIEW

The financial year under review was one of the most difficult years in the Group's history. There are no clear indication that the local economy will recover from deflation and prolonged high unemployment rate. The operating environment deteriorated during the first half of 2003 where the outbreak of SARS has severely affected the operating environment of the Group.

OPERATING RESULTS

During the financial year ended 30th June 2003, the Group's consolidated turnover was HK\$251.2 million, representing a decrease of 18.1% as compared to the last fiscal year. The Group recorded a loss for the first time since its listing. Loss attributable to shareholders for the financial year 2002/2003 was HK\$29.5 million, which is mainly attributable to:-



- provisions made for impairment in value of film rights in view of the uncertain local economic situation amounted to approximately HK\$37.1 million;
- escalating royalty costs due to a decline in films available; and
- decrease in revenue and profitability from core business segments due to continue pricing pressure of video products as a result of keen competition and weak sentiment.

BUSINESS REVIEW

Video distribution

Although the performance of video distribution showed an encouraging growth of 4.3% during the first half of the financial year, the performance for the whole year as compared to the financial year 2001/2002 was disappointing due to the SARS outbreak which has severely affected sales of video distribution during the first half of 2003. Revenue generated from video distribution for the current financial year was HK\$186.2 million, representing a reduction of approximately 22.3%.

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於本財政年度，由於零售市道疲弱，本集團嘗試透過不同的市場推廣策略以刺激消費者需求，如調低本集團之產品價格。然而，銷售額仍然令人失望，在未計算就電影版權對錄像發行業務所作之減值虧損撥備，此分部於本財政年度之毛利貢獻大幅減少52.1%。

電影放映、授出及轉授電影版權

電影放映、授出及轉授電影版權業務的收入及盈利能力亦告下跌。總收入由港幣62,200,000元下降至回顧財政年度的港幣50,500,000元，在未計算就電影版權對此項業務分部所作之減值虧損撥備，其毛利則降至港幣6,000,000元，降幅為36.2%。

本集團於回顧年內的收入及溢利能力減少的主要原因，是由於本集團於本財政年度所製作的電影數目較上一個年度為少。自二零零二年初開始，由於本地市場對華語電影的整體需求減少，本集團於電影製作方面的投資採取審慎之態度，以致減少製作電影的數量，令可供放映及授出電影版權的電影亦較少。

光碟複製及租賃投資物業與機器

於回顧年內，光碟複製行業出現激烈的割價競爭情況，對本集團的光碟複製服務構成不利影響，令此業務分部之營業額顯著下降。由於激烈競爭，加上行業前景不明朗，本集團決定不再專注發展此業務分部，而是更有效調配資源至其他業務，在取得更高回報之餘，亦可維持穩定之經常性收入。本集團自二零零二年十二月一日起，已把其光碟複製機器及投資物業租予第三者。

During the financial year, the Group attempted to implement various marketing strategies to stimulate consumer's demand in view of the sluggish retail market such as the downward adjustment in the pricing of the Group's products. Nevertheless, sales were still disappointing, resulting the contribution in terms of gross profit, before provision made for impairment losses of film rights for video distribution business for the current financial year reduced significantly by 52.1%.

Film exhibition, film licensing and sub-licensing

Film exhibition, film licensing and sub-licensing also experienced a decline in revenue and profitability. Total revenue decreased from HK\$62.2 million to HK\$50.5 million during the financial year under review, while gross profit, before provision made for impairment losses of film rights for this business segment, declined by 36.2% to HK\$6.0 million.



The drop in both the revenue and profitability during the year under review was mainly attributable to the decreasing number of films produced by the Group in the current financial year compared to the previous year. Since early 2002, in view of the overall contraction in local demand for Chinese language films, the Group has adopted a prudent approach in investments in film productions resulting in fewer films produced and hence, available for film exhibition and film licensing.

Replication of optical discs and leasing of investment property and machineries

The replication of optical disc services has also been adversely affected by the severe price competition within the industry during the year under review. Consequently, turnover generated from this business segment declined significantly. In view of keen competition and uncertain outlook within the industry, the Group has decided not to focus on the development of this business segment but to allocate its resources to business of higher return while at the same time maintain a stable recurring income. The Group has leased its replication machineries and investment property to a third party since 1st December 2002.

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展望

本港的經濟前景未明，本集團預期，隨著通縮的威脅持續，香港於未來一個財政年度的營商環境仍然欠佳，加上本集團預期待業內價格競爭依然激烈，本集團的溢利率將繼續受影響。然而，為達致業務的長期增長，以及取得長遠的溢利能力，本集團將繼續採取務實而審慎的態度發展業務。

本集團明瞭，在目前的經濟環境下，增強產品系列及擴大市場的重要性。為實踐此目的，本集團已開始以下擴大市場及令產品多元化的業務計劃：

- 本集團於本年初於香港與一名第三者組成一間聯營公司，製作本集團首部電視連續劇。
- 本集團成立新部門，並於二零零三年九月推出與和記環球電訊、電聯網絡香港有限公司及Yes TV Plus合辦的寰宇電影會。會員可透過互聯網登入電影會，並在個人電腦上欣賞電影。
- 本集團成功與國內多家電影製作公司合作攝製七部電影，其中三部，如《五月八月》、《炮製女朋友》及《双雄》經已完成製作，並成功於中港兩地放映。其餘四部電影拍攝進度理想，預期於二零零三年底及二零零四年初放映。



OUTLOOK

The local economy is still overshadowed by uncertainty. The Group anticipates the operating environment in Hong Kong will remain difficult for the coming year as deflationary threats persist. Price competition is expected to remain keen, thus affecting the Group's profit margins. Nevertheless, the Group, for its long-term growth and profitability, will continue with its businesses using a more pragmatic and prudent approach.

The Group is aware of the importance in product and market expansion and diversification, especially under such economic climate. In order to achieve this, the Group embarked upon the following expansion and diversification plans:

- The Group invests in an associated company with a third party in Hong Kong for the production of the Group's first TV series earlier this year.
- The Group has also set up a new division to launch the Universe Videoclub, jointly with Hutchison Global Communications, PowerCom Network Hong Kong Limited and Yes TV Plus, in September 2003. Members can gain access to this video club through internet websites and view movies over personal computers.
- The Group has successfully co-produced seven films with various film production companies in the PRC. Three of them, namely "May & August", "My Dream Girl" and "Heroic Duo", were completed and had been successfully released in both Hong Kong and the PRC. The remaining four films are progressing well and are expected to be released in late 2003 and early 2004.



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本集團相信，新成立的電視連續劇製作部門及寰宇電影會，將可於短期內為本集團帶來盈利。本集團將繼續尋求投資機會，以製作優質的電視連續劇。

本集團預期，海外及國內市場對優質華語電影的需求將不斷上升，尤其國內市場更因中國加入世貿而具備優厚的增長潛力。本集團計劃於未來數年，繼續與國內不同的電影製作公司合作攝製更多電影。本集團認為，透過這些合作機會，加上本集團在業內的專業知識和經驗，將有助本集團在國內取得可觀的市場佔有率。

除了在國內物色電影製作夥伴外，本集團並會於日本、韓國、泰國及其他西方國家，尋找攝製電影的合作夥伴。本集團目前正籌備於二零零四年初，開拍一部由港泰兩地合作攝製的電影。

本集團相信，隨着近期簽訂CEPA後，香港電影公司在國內拍攝、發行電影及授出電影特許權方面，將享有更大的彈性。舉例來說，有關參與聯合製作的港方人員數目的限制將會放寬。另外，即使故事情節及主要人物仍須與中國有關，故事發生地必須為中國的規定經已取消。在錄影、錄音製品的分銷服務及提供電影院服務方面，香港公司現已獲准擁有中外合營公司的大部分股權（最多以70%為限）。

本集團的策略是，透過擴充政策以維持其在本地市場的領導地位，同時亦會積極物色每個商機，其中尤以CEPA帶來的機遇為然。

展望未來，本集團深信，藉著集團本身在錄像發行及授出電影版權方面獨特的專業知識、在業內的穩固領導地位，以及CEPA帶來的機遇，本集團定能應付日後的挑戰，及繼續提升市場佔有率。

The Group believes that the new divisions of TV series production and the Universe Videoclub will make positive contribution towards the Group in the near future thus it will continue to seek investment opportunities in the production of quality TV series.

The Group anticipates that there will be an increasing demand for quality Chinese-language films from overseas and the PRC markets, especially in the PRC where there will be immense growth potential following the entry into the WTO. The Group plans to continue co-producing more films with different film production companies in the PRC in the coming years. The Group believes that such collaboration, coupled with its expertise and experience in the industry, will enable it to capture a considerable market share in the PRC.

In addition in seeking film production partners in the PRC, the Group will also look for strategic partners from Japan, Korea, Thailand and other western countries to cooperate in film production. Plans are in the pipeline for the co-production of a film between Hong Kong and Thailand in early 2004.

The Group believes that the signing of CEPA recently will provide more flexibility to Hong Kong companies engaged in film production, film distribution and film licensing in the PRC, for instance, the limit on the number of Hong Kong personnel participating in a co-production is relaxed. Requirements that the storyline must take place in the PRC has been removed, although the storyline or leading casts are still required to be related to the PRC. In addition, Hong Kong companies, engaging in the distribution of audiovisual products and investments in the operation of cinema theatres in the PRC are now permitted to have a majority stake (not more than 70 per cent.) in joint ventures.

It is the Group's strategy that, apart from maintaining a leading position in the local market through expansion, it is also the Group's strategies to actively explore every opportunity presented by CEPA.

Looking ahead, the Group is confident with its expertise in video distribution and film licensing, leading position in the industry and the opportunities arising from CEPA which will enable it to meet the challenging times ahead while continue to expand its market share.

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流動資金及財務狀況

於二零零三年六月三十日，本集團的現金結存為港幣43,400,000元，未使用的銀行融資約為港幣65,000,000元，而去年同期則分別為港幣98,600,000元及港幣67,000,000元。



於二零零三年六月三十日，本集團之資產總值約為港幣288,100,000元，較二零零二年六月三十日減少港幣117,800,000元。資產總值減少主要由於本集團於二零零二年七月二十五日贖回約港幣54,100,000元之可換股票據及年內就電影版權之減值撥備港幣37,100,000元。

於二零零三年六月三十日的負債比率為13.6%，而去年則為14.3%（不計已於二零零二年七月二十五日贖回之可換股票據）。負債比率是以本集團的銀行貸款及融資租賃承擔約港幣29,900,000元（其中港幣11,000,000元須於一年內償還，港幣6,600,000元須於第二年償還，港幣10,500,000元須於第三至第五年償還以及港幣1,800,000元須於第五年後償還），以及股東資金約港幣219,800,000元計算。

LIQUIDITY AND FINANCIAL POSITION

As at 30th June 2003, the Group had cash balances of HK\$43.4 million and unutilized banking facilities amounted to approximately HK\$65.0 million while the corresponding figures in the last year were HK\$98.6 million and HK\$67.0 million respectively.

As at 30th June 2003, the Group had total assets of approximately HK\$288.1 million, representing a decrease of HK\$117.8 million over that of 30th June 2002. Such reduction was mainly due to redemption of the convertible notes of approximately HK\$54.1 million on 25th July 2002 and a provision of HK\$37.1 million for impairment in value of film rights for the year.

The gearing ratio as at 30th June 2003 was further reduced to 13.6% as compared to 14.3% excluding the convertible notes which had been redeemed on 25th July 2002 in the last year. The calculation of gearing ratio is based on the sum of the Group's bank loans and obligations under finance leases of approximately HK\$29.9 million (of which HK\$11.0 million, HK\$6.6 million, HK\$10.5 million and HK\$1.8 million are repayable within one year, in the second year, in the third to fifth year and after the fifth year respectively) and on the shareholders' fund of approximately HK\$219.8 million.



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於回顧財政年度內之資本性開支包括購買一所物業金額為港幣14,000,000元，其中港幣9,500,000元以按揭貸款支付，其餘港幣4,500,000元則以內部現金支付。



由於本集團進行的交易均主要以港幣為單位，管理層認為匯率波動風險有限，故本集團並無使用金融工具進行對沖。

由於本集團於二零零二年七月二十五日贖回計息之可換股票據，加以本集團之借貸減少，令利息開支下降，故財務成本相應減少88.5%。另外，目前的借貸利息較低，亦導致財務成本下降。

集團資產抵押

於二零零三年六月三十日，本集團名下賬面值合共約港幣78,800,000元(二零零二年：港幣83,500,000元)之銀行結餘及若干固定資產已用作附屬公司所用銀行融資之抵押。

僱員及薪酬政策

於二零零三年六月三十日，本集團僱用116名(二零零二年：209名)員工。工資將每年作出檢討，而若干員工會獲支付佣金。除基本薪金外，員工福利包括酌情發放的花紅、醫療保險計劃及強制性公積金。

Capital expenditure for the financial year under review including the acquisition of a property amounted to HK\$14.0 million, which was financed by a mortgage loan and internal cash of HK\$9.5 million and HK\$4.5 million respectively.

In light of most of the Group's transactions are denominated in Hong Kong Dollars, the management considered the exposure to exchange rate fluctuations is limited and no financial instruments for hedging purposes are used.

Finance costs reduced by 88.5%, mainly due to lower interest expenses following the redemption of interest bearing convertible notes on 25th July 2002 and the Group's reduced borrowings. The reduction was also due to the current low interest rates of borrowings.

THE PLEDGE OF GROUP ASSETS

As at 30th June 2003, bank balances and certain fixed asset of the Group with aggregate carrying value of approximately HK\$78.8 million (2002: HK\$83.5 million) were pledged to secure banking facilities utilized by subsidiaries.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June 2003, the Group employed 116 staffs (2002: 209). Remuneration is reviewed annually and certain staffs are entitled to commission. In addition to the basic salaries, staff benefits included discretionary bonus, medical insurance scheme and mandatory provident fund.



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購股權計劃

本集團於一九九九年六月二十八日採納其現有購股權計劃，該計劃將於二零零九年六月二十七日屆滿（「現有計劃」）。鑑於香港聯合交易所有限公司（「聯交所」）上市規則（「上市規則」）第十七章引進由二零零一年九月一日起生效之變動，董事會認為，採納符合上市規則之新購股權計劃（「新計劃」）並終止現有計劃乃符合本公司之利益。新計劃主要條款之概要載於通函（「通函」）內，將連同本公司截至二零零三年六月三十日止年度之年報一併寄發予本公司股東。現有計劃將於新計劃生效時終止，而新計劃須待通函所載若干條件達成後方予生效。

審核委員會

本公司參考香港會計師公會出版的「成立審核委員會指引」編訂及採納詳述審核委員會權力及職責的書面職權範圍。

審核委員會乃董事會與本公司核數師就本集團審核事務進行溝通的重要聯繫，亦負責檢討外部審計工作、內部監控及風險評估各方面的成效。審核委員會現由兩名獨立非執行董事組成，即伍國棟先生及趙善改先生。審核委員會於本財政年度內已先後召開兩次會議。

遵守上市條例之最佳應用守則

本公司於本年度內一直遵守上市規則附錄14所載之最佳應用守則。

買賣或贖回本公司的上市證券

本公司於年內並無贖回任何股份。本公司與其任何附屬公司於年內概無購買或出售本公司任何上市證券。

SHARE OPTION SCHEME

The Company adopted its existing share option scheme on 28th June 1999 which will expire on 27th June 2009 (the "Existing Scheme"). In view of the changes introduced in chapter 17 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 1st September 2001, the Board considers that it is in the interest of the Company to adopt a new share option scheme in compliance with the Listing Rules (the "New Scheme") and to terminate the Existing Scheme. A summary of the principal terms of the New Scheme will be set out in a circular (the "Circular") which will be despatched to the shareholders of the Company together with the annual report of the Company for the year ended 30th June 2003. The Existing Scheme will be terminated upon the New Scheme coming into effect which in turn will be subject to the fulfillment of certain conditions set out in the Circular.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for the Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board of Directors and the Company's auditors in matters coming within the scope of the Group's audit. It also reviews the effectiveness of the external audit, internal controls and risk evaluation. The Audit Committee comprises two independent non-executive directors, namely Messrs. NG Kwok Tung and CHIU Shin Koi. Two meetings were held during the current financial year.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.