



#### Review of Operations

Hong Kong's economy has seen a rebound since 2004, after several years of deflation period triggered by the collapse of the property market and the Asian financial crisis. Unfortunately, the local film industry has not benefited from this and remained in the doldrums for the period under review. The market in general was lackluster due to the shortage of commercially appealing products. Hong Kong produced only 64 Chinese language films in the year 2004. This low number has affected the Group in several areas: we had fewer films to distribute, fewer films to screen in our cinemas, and fewer films using our laboratory services. In contrast to the weak performance in Hong Kong, our overseas associates and joint ventures have continued to perform strongly this year. Net profit contributed by the overseas exhibition businesses have improved nearly 3 times to some HK\$22 million since its turnaround in 2003.

The Group continues to focus on its core businesses of distribution and exhibition. During the year, the Group succeeded in making several strategic investments, which have largely consolidated our market position in the region. In February 2005, the Group acquired a 40% equity interest in Warner Village Cinemas Co., Ltd. ("WVT"), the largest cinema chain in Taiwan. We have also increased our stake in TGV Cinemas Sdn. Bhd. ("TGV"), one of our joint ventures in Malaysia, to 50%,

#### 業務回顧

經過地產物業市場泡沫爆破及亞洲金融風暴引發數年通縮期後，香港經濟自二零零四年起已見反彈。不幸的是，本地電影業並未受惠，於回顧期間內仍未走出谷底。由於具商業吸引力之產品短缺，整體市場了無生氣。二零零四年，香港只製作了64齣華語電影。製作量偏低對本集團造成多方面影響，包括電影發行，戲院放映，及使用本集團電影沖印服務之電影數目皆相應減少。相對於香港之疲弱表現，本集團海外聯營公司及合營公司於本年度之表現持續強勁。海外戲院經營業務自二零零三年轉虧為盈後，純利改善近3倍至約22,000,000港元。

本集團將繼續專注於發行及戲院經營等核心業務。本年度內，本集團成功作出多項策略性投資，大大鞏固了本集團於區內之市場地位。於二零零五年二月，本集團收購了台灣最大之院線公司華納威秀電影公司（「華納威秀」）之40%股本權益。本集團亦已增加了於本集團其中一家馬來西亞合營公司TGV Cinemas



and opened our flagship multiplex cinema in Shenzhen. These investments were financed by the issue of new shares and bank borrowings, which are further discussed in the Liquidity and Financial Resources section of this report. The above investments have been performing to our satisfaction, and we expect them to contribute profits to the Group in the years ahead.

### Finance

For the financial year ended 30 June 2005, the Group incurred a loss of HK\$13 million, as compared to a loss of HK\$12 million last year. The loss before tax of HK\$0.7 million included a gain of HK\$43 million, representing a negative goodwill arising from the acquisition of the WVT cinema chain, and from increasing our stakes in TGV. The investments in Taiwan's WVT and Malaysia's TGV are classified as jointly-controlled entities under the current accounting standards and are equity accounted for in the financial statement. The exhibition business of our overseas associates and joint ventures continued to be robust, and contributed approximately HK\$33 million profit before tax to the Group. In contrast, the Hong Kong market remains weak due to an insufficient supply of quality Chinese language films. Consequently, our local exhibition, distribution as well as the processing businesses in Hong Kong were badly hit. Our turnover dropped by 7% despite the opening of the Shenzhen multiplex during the year which partially offset the drop in turnover. Gross profit was down by HK\$24 million mainly due to an under-performance in the distribution segment, both for Chinese language films and Pansia-licensed non-Chinese language films. We have continued to keep our total operating costs to the minimum and the increase of HK\$7 million for the year came mostly from our newly-opened flagship cinema in Shenzhen. Other operating expenses were up HK\$8 million to HK\$14 million mainly due to the write-off of certain assets and one-off expenses incurred for exhibition business.

Sdn. Bhd. (「TGV」)之股權至50%，並於深圳開設旗艦影城。該等投資乃透過發行新股份及銀行借款撥付所需資金，有關詳情於本年報之「流動資金及財務資源」一節內作進一步討論。上述投資項目表現理想，而本集團預期該等投資項目來年將為本集團帶來溢利貢獻。

### 財務

截至二零零五年六月三十日止財政年度，本集團錄得之虧損為13,000,000港元，而去年錄得之虧損則為12,000,000港元。除稅前虧損為700,000港元，包括來自收購華納威秀院線及增加本集團於TGV之股權而產生之負商譽收益43,000,000港元。根據現有之會計準則，於台灣華納威秀及馬來西亞TGV之投資項目被分類為共同控制公司，並根據會計權益法於財務報表列賬。本集團海外聯營公司及合營公司之戲院經營業務表現保持強勁，並為本集團帶來除稅前溢利貢獻約33,000,000港元。相反，由於高質素之華語電影供應不足，香港市道依然低迷。因此，本集團於本地戲院經營、發行，以至電影沖印業務均受到嚴重打擊。儘管年內開設深圳影城抵銷了部分營業額跌幅，本集團之營業額仍減少7%。毛利亦減少了24,000,000港元，主要原因是發行分部包括華語電影及泛亞購入版權之非華語電影表現未如理想。本集團已不斷將經營成本總額減至最低，而本年度所增加之7,000,000港元，主要來自於深圳新開設之旗艦影城。其他營運費用增加8,000,000港元至14,000,000港元，主要原因是撇銷若干戲院資產及一次性業務開銷。

### Film Distribution

Total box office of Hong Kong films was HK\$905 million, down 7% from HK\$973 million the previous year. Of this, Chinese language films grossed a total of HK\$344 million, a drop of 32% from HK\$506 million last year.

The Group distributed 15 Chinese language films and 36 non-Chinese language films in the current financial year, versus 21 Chinese language films and 21 non-Chinese language films last year. As a distributor, although the Group handled some of the stronger local films such as “Initial D” and “New Police Story”, our market share fell to 28% from 34% due to a lesser number of films and the lack of success of the other films. Our Chinese language film library proved valuable by contributing a royalty income of HK\$13 million to the Group during the year. The Group’s overall distribution income of Chinese language films however, fell by HK\$13 million from last year.

The box office takings for non-Chinese language films increased 20% to HK\$561 million. This year, we released a total of 36 films, 15 more than last year, and improved box office takings to HK\$109 million, compared to HK\$65 million last year. The Group started to distribute DreamWorks pictures through United International Pictures (“UIP”) during the year. With a greater number of commercially successful non-Chinese language films from Panasia and UIP, the Group’s market share increased from last year’s 14% to this year’s 20%.

### 電影發行

香港電影票房總收入為905,000,000港元，較去年之973,000,000港元減少7%。其中華語電影票房總收入為344,000,000港元，較去年之506,000,000港元減少32%。

本集團於本財政年度合共發行15齣華語電影及36齣非華語電影，而去年則發行21齣華語電影及21齣非華語電影。作為發行商，儘管本集團已負責發行部分本地大製作，例如《頭文字D》及《新警察故事》，但由於整體電影數目減少，而其他電影賣座未如理想，本集團之市場佔有率由34%減至28%。本集團之華語電影庫於本年度為本集團帶來版權收入13,000,000港元，由此證明電影庫非常寶貴。然而，本集團之華語電影整體發行收入較去年減少13,000,000港元。

非華語電影票房收入增加20%至561,000,000港元。本年度內，本集團合共發行36齣電影，較去年增加15齣，而票房收入增加至109,000,000港元，去年之票房則為65,000,000港元。本集團於本年度開始透過聯合國國際影片（「聯合」）發行DreamWorks電影。隨著泛亞及聯合帶來更多叫座之非華語電影，本集團之市場佔有率由去年之14%增加至本年度之20%。







### Exhibition

With the acquisition of the largest cinema chain in Taiwan and opening of our flagship multiplex in Shenzhen, the Group now operates 340 screens in 48 cinemas in the Asia region. Golden Harvest is the dominant market player in the territories in which it operates, except Hong Kong where the market still suffers from over competition.

In Hong Kong, performance was dismal due to the weak market as explained above. The Group took advantage of this lull in business to renovate one of our cinemas, GH Mongkok. Our market share slightly dropped to 14% accordingly.

In Mainland China, the Group's flagship cinema, the Golden Harvest (Shenzhen) Cinema, posted encouraging results since its opening in December 2004. The box office takings amounted to RMB12 million in its six and a half months of operation and was consistently ranked among the top three in box office takings in the People's Republic of China. The Group's market share in Shenzhen is approximately 40%.

In Malaysia, the market box office was up 14% to RM158 million, representing a consecutive four-year double digit growth since 2002. The Group maintained its market share above 80% through its two joint ventures in Malaysia, TGV and Golden Screens Cinemas Sdn. Bhd. ("GSC"). To take advantage of this strong growth in the Malaysian market, the Group has increased its stakes in TGV to 50% in March 2005. Although TGV's market share slightly slipped from 35% to 33% due to opening of new multiplexes by GSC and independent competitors, its EBT and its net contribution to the

### 戲院經營

收購台灣最大院線及於深圳開設旗艦影城後，本集團現時於亞洲區經營48家影城，共有340間影廳。除競爭過熱之香港市場外，嘉禾在各經營地區均穩佔領先地位。

誠如上文解釋，由於市道疲弱，香港戲院業務表現遜色。本集團乘此淡市裝修其中一家影院－嘉禾旺角。因此，本集團之市場佔有率輕微下跌至14%。

中國內地方面，本集團之旗艦影城－嘉禾深圳影城，自二零零四年十二月開幕以來獲得令人鼓舞之業績。嘉禾深圳影城只經營了六個半月，票房收入已高達人民幣12,000,000元，票房一直穩佔中國首三位。本集團在深圳之市場佔有率約為40%。

馬來西亞方面，市場票房收入上升14%至158,000,000馬幣，自二零零二年起連續四年錄得雙位數字增長。本集團透過其於馬來西亞兩間合營公司－TGV及Golden Screens Cinemas Sdn. Bhd. ("GSC")維持其市場佔有率於80%之上。為把握馬來西亞市場穩健增長所帶來之商機，本集團已於二零零五年三月增加其於TGV之股權至50%。儘管由於GSC及獨立競爭者開設了新影城，TGV之市場佔有率由35%輕微下跌至33%，其除稅前溢利

Group improved significantly. TGV's EBT was up by HK\$3 million from the previous year to HK\$23 million and contribution to the Group also improved by HK\$2 million to HK\$6 million.

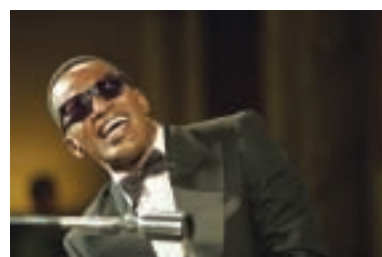
GSC opened 2 multiplexes with 22 screens during the year. GSC's revenue increased by 16% to HK\$217 million this year, with EBT up HK\$3 million to HK\$24 million as compared to the same period last year.

Singapore's market continued to grow steadily at 8% to S\$118 million. Golden Village Multiplex Pte Ltd ("GVM"), the Group's associate, contributed a net profit of HK\$14 million, up HK\$2 million from HK\$12 million last year. One of the GVM's key cinemas in Marina Square closed for renovation work for a large part of the year, but in spite of this, GVM's market share was maintained at 44% with EBT up HK\$12 million to HK\$44 million. In May 2005 the Group commenced proceedings in the Hong Kong court to wind up Dartina Development Limited, the holding company of the Singapore joint venture with Village Roadshow, on the grounds that the Group had not been properly included in the management of the joint venture. The Group is hopeful for a positive outcome of these proceedings, thereby preserving the integrity of the Group's investment.

以至對本集團之貢獻有顯著改善。TGV之除稅前溢利較去年上升3,000,000港元至23,000,000港元，對本集團之溢利貢獻亦增加了2,000,000港元至6,000,000港元。

GSC於本年度開設兩家影城，共有22間影廳。GSC於本年度之收入增加16%至217,000,000港元，而除稅前溢利較去年同期上升3,000,000港元至24,000,000港元。

新加坡之市場繼續穩定增長8%至118,000,000新加坡元。本集團之聯營公司Golden Village Multiplex Pte Ltd (「GVM」)帶來純利貢獻14,000,000港元，較去年之12,000,000港元增加2,000,000港元。GVM位於Marina Square之主要影院暫停營業大半年進行裝修，但GVM仍能維持市場佔有率44%，除稅前溢利上升12,000,000港元至44,000,000港元。於二零零五年五月，本集團已向香港法院申請將嘉年華影業有限公司（與Village Roadshow成立之新加坡合營公司之控股公司）清盤，理據為本集團未能有效地參與管理上述合營公司。本集團希望透過司法程序圓滿解決有關爭議，從而保存本集團投資項目之完整性。





In Taiwan, the market box office grew with an aggressive programming strategy adopted by the Group. WVT had ended its seven years of losses and turned around this year. However, the Group shared a loss subsequent to the completion of acquisition in February 2005 as March to May is traditionally a slack period in Taiwan. With the right marketing and programming strategies, we are optimistic that WVT will now consistently post a positive contribution to the Group in the years ahead.

#### Prospects

Hong Kong will continue to be the base of the Group's operations, strongly supported by our regional network. The Group will continue to focus on development of the Greater China market and strengthening its pan-Asian footprint. The Group is currently taking careful steps to explore new sites for our cinemas.

#### Liquidity and Financial Resources

During the year, the Group successfully raised new fundings through new share placements, rights issue and bank borrowings in an aggregate amount of approximately HK\$200 million. The funds were used to finance a variety of new projects and planned investments as well as providing general working capital to the Group. Some of these projects include the opening of a multiplex cinema in Shenzhen, the acquisition of a 40% interest in WVT, and increasing our stake in our Malaysian joint venture TGV.

In August 2004, the Group placed new shares to Typhoon Music (PRC) Limited, an independent third party. Net proceeds of HK\$36.3 million were raised. In January 2005, the Group raised net proceeds of HK\$60.9 million from a rights issue. The Group further placed new shares to an independent third party, Asset Managers (China) Fund Co., Ltd. in March 2005, in the amount of HK\$7.6 million.

台灣方面，隨著本集團採取積極之放映編排策略，市場票房收入得以上升。於本年度，華納威秀結束了七年之虧損，成功轉虧為盈。然而，由於三月至五月在傳統上是台灣之淡季，本集團於二零零五年二月完成收購後攤佔虧損。配合合適之市場推廣及放映編排策略，本集團對華納威秀來年能為本集團帶來正面貢獻非常樂觀。

#### 前瞻

香港將繼續作為本集團之業務總部，並以區內網絡作為強大支援。本集團將繼續集中發展大中華市場，並加強其於泛亞市場之發展步伐。本集團現採取審慎策略為影院開拓新據點。

#### 流動資金及財務資源

本年度內，本集團成功透過新股份配售、供股事項及銀行借款籌集新資金合共約200,000,000港元。資金乃用作撥付多項新項目及計劃投資，並為本集團提供一般營運資金。該等項目包括於深圳開設影城、收購華納威秀之40%權益，以及增加本集團於馬來西亞合營公司TGV之股權。

於二零零四年八月，本集團配售新股份予一獨立第三者—Typhoon Music (PRC) Limited，所得款項淨額為36,300,000港元。於二零零五年一月，本集團透過供股事項籌得所得款項淨額60,900,000港元。於二零零五年三月，本集團進一步配售新股份予一獨立第三者—Asset Managers (China) Fund Co., Ltd.，所得款項為7,600,000港元。



In addition, the Group obtained four bank loans during the year and as at 30 June 2005, the bank borrowing balance stood at HK\$90 million. The terms of the loans are spread over a period of less than one year to five years. These loans are secured by the pledge of certain assets/ fixed assets and bank balance of the Group and the shares in a wholly-owned subsidiary and a jointly-controlled entity. The bank borrowings are in Hong Kong dollars, Renminbi and US dollars with interest rates ranging from 5% to 9% per annum.

As at 30 June 2005, the Group's cash balances was at HK\$16.7 million and the net current liabilities stood at HK\$38.7 million. Gearing ratio, calculated on the basis of external borrowings over total assets, was 14.3%. The Group had contingent liabilities of HK\$17.3 million at the year-end date (30 June 2004: HK\$17.1 million) in respect of a guarantee of a banking facility granted to an associate.

The Group's assets and liabilities are principally denominated in Hong Kong dollars except certain assets and liabilities associated to the investments located in Singapore, Malaysia, Taiwan and the PRC. Since the exchange rate of the currencies in these territories have been relatively stable for the past two years, the directors are of the view that the Group's exposure to currency exchange risk is minimal. Accordingly, the Group did not carry out any hedging of foreign currencies.

此外，本集團於本年度取得四項銀行貸款，而於二零零五年六月三十日，銀行借款結餘為90,000,000港元。貸款年期介乎少於一年至五年不等。該等貸款乃以質押本集團之若干資產／固定資產及銀行結餘，以及一家全資附屬公司及一家共同控制公司之股份作抵押。銀行借款以港元、人民幣及美元定值，年息率介乎5厘至9厘。

於二零零五年六月三十日，本集團之現金結餘為16,700,000港元，而流動負債淨額則為38,700,000港元。資本負債比率（按外間借款除以總資產計算）為14.3%。本集團因擔保一家聯營公司所獲銀行融資而產生或然負債，於年度結算日之數額為17,300,000港元（二零零四年六月三十日：17,100,000港元）。

本集團之資產及負債主要以港元定值，惟與位於新加坡、馬來西亞、台灣及中國之投資項目相關之若干資產及負債除外。由於該等地區之貨幣匯率於過去兩年均相對穩定，董事認為本集團之外匯風險偏低，故本集團並無採取任何外匯對沖措施。





Subsequent to 30 June 2005, the Group obtained another bank loan facility of HK\$2.3 million in July 2005 to improve its general working capital. The banking facility is secured by the leasehold land and building of the Group.

In July 2005, the Malaysia Ringgit and Renminbi were unpegged from the United States dollars. The directors will continue to assess the exchange risk and exposures, and will consider all possible hedging measures in order to minimise the risk at a reasonable cost.

On 10 October 2005, the Group entered into a Letter of Intent to dispose of its 5% equity interests in a jointly-controlled entity at a cash consideration of US\$2.15 million, approximately HK\$16.7 million.

In order to improve the Group's financial position and to finance new projects, the Group will continue to seek support from its bankers; explore opportunities for different sources of financing and implement measures to tighten cost controls over various general and administrative expenses to attain profitable and positive cash flow operations.

#### Employees and Remuneration Policies

As at 30 June 2005, the Group had 228 (2004: 186) permanent employees. The Group remunerates its employees largely based on industry practice. In addition to salaries, commissions, mandatory provident fund and discretionary bonuses, share options are granted to certain employees based on individual merit.

於二零零五年六月三十日後，本集團於二零零五年七月取得另一項銀行貸款融資2,300,000港元，以改善其一般營運資金。該筆銀行融資乃以本集團之租賃土地及樓宇抵押。

於二零零五年七月，馬來西亞幣及人民幣與美元脫鈎。董事將繼續評估匯率風險，並將考慮所有可行之對沖措施，以按合理成本盡量將風險減低。

於二零零五年十月十日，本集團訂立一份意向書，按現金代價2,150,000美元（約16,700,000港元）出售其於一家共同控制公司之5%股本權益。

為了改善本集團之財政狀況及為新項目融資，本集團將繼續爭取往來銀行之支持；開拓各種融資機會，並對各項一般及行政開支實施收緊成本控制措施，務求令到業務賺取利潤及錄得正現金流量。

#### 僱員及薪酬政策

於二零零五年六月三十日，本集團有228名（二零零四年：186名）全職僱員。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，若干僱員更可就個人表現而獲授購股權。