

## 主席報告 Chairman's Statement

二零零六年香港經濟未有太明顯改善，香港電影行業市道仍然欠佳，而且依然飽受知識產權問題困擾。除了盜版的VCD、DVD泛濫市場外，電腦盜版例如BT點對點，以及P2P (Peer-to-peer)等侵權活動亦極為猖獗，令香港電影業仍處於艱苦經營的窘境。

作為香港電影行業的領導公司之一，本公司繼續積極參與反盜版行動，包括透過與業界成立的香港電影商協會有限公司及電影工業應變小組，致力打擊盜版行為，並進行消費者教育工作，以配合香港政府維護電影知識產權的決心。而隨著中國加入世界貿易組織，政府亦更積極保護知識產權，加強打擊盜版行為的力度，相信在可見未來，可對電影業產生正面的幫助。

港產電影面對多方面的競爭，市場情況並無明顯改善，而觀眾對電影製作的水準要求更與日俱增，因此投資開拍電影仍然風險極高。本公司明白市場需要，年內繼續維持嚴謹製作的業務方針，包括採用成名導演的審慎製作，配合優秀劇本及有賣座保證的明星陣容，推出優質電影，加上積極控制電影製作的成本，令本公司的投資回報得到保障。

本集團在年內以嚴謹態度製作的電影「黑社會2以和為貴」，就充份體現出本公司對市場需要的了解，因而在票房及發行收入取得驕人成績。

此外，本公司及屬下之全資附屬公司包括一百年電影有限公司、中國星影畫有限公司、思維娛樂有限公司等，在九月與STAR Group Limited之附屬公司Fortune Star Entertainment (HK) Limited訂立契據，向Fortune Star Entertainment (HK) Limited出售本公司之片庫，包括一百年電影有限公司、中國星影畫有限公司及思維娛樂有限公司已製作或共同製作或購入之100套專題及非專題電影之永久及全世界之權利、所有權及權益，作價18,000,000美元（約140,000,000港元）。

出售片庫錄得之收益，除可增強本公司的財務狀況及增加本公司的營運資金外，亦標誌本公司於製作優質電影方面之卓越成就，以及電影行業的一致認同；而所得資金將用於多元化發展本公司的投資組合。

There has not been any significant improvement in Hong Kong's economic condition in 2006. The performance of the film market has not been satisfactory, still being severely affected by infringement of intellectual properties. Apart from fake pirate VCDs and DVDs flooding the market, there have also been extensive infringement activities conducted through the Internet, using the BitTorrent systems and Peer-to-peer systems. All these rendered the Hong Kong film industry operated under severe hardship.

As a leader in the Hong Kong film industry, the Company has taken a pro-active role in the fight against infringement activities, by cooperating with Hong Kong Chamber of Films Limited and Film Industry Response Group and by re-educating consumers. All these effectively collaborate with the Government's efforts to protect intellectual properties. Upon becoming a member of the World Trade Organisation, the P.R.C. Government has taken effective measures to protect intellectual properties, and has also deepen and widen its efforts to fight against piracy and other infringement activities. These measures will certainly assist the film industry within the foreseeable future.

Hong Kong films are facing stiff competitions. Without any significant improvement in market conditions, and with the public becoming more demanding in quality, investing in the film industry has been risky. The Company well understands the market, and the expectations of the public. Hence, in the coming year, we will still be prudent in production in order to protect investor's interest and to ensure satisfactory returns. Such prudent measures include cooperating with well-known and successful directors and retaining strong and market-proven castings in our coming productions. Further, we will pay particular attention to the quality of films produced with tight control on the costs of production.

Last year, our production "Election 2" has proven to be a great success, both in terms of penetration of the market, and in ticket-sale and distribution returns. This accurately reflects that we have a thorough understanding of the market, and we have been strict in ensuring the quality of our productions.

Furthermore, the Company, together with our wholly-owned subsidiaries, including One Hundred Years of Film Company Limited, China Star Pictures Limited and S&W Entertainment Limited, have entered into a deed with Fortune Star Entertainment (HK) Limited, a subsidiary of the STAR Group Limited, to sell our film library, consisting of perpetual and worldwide right, title and interest in 100 features and non-features motion pictures produced or co-produced or acquired by One Hundred Years of Film Company Limited, China Star Pictures Limited and S&W Entertainment Limited at the price of US\$18,000,000 (approximately HK\$140,000,000).

The proceeds from sale of film library will be applied towards strengthening our Company's financial situation, to increase our operation capital, and to enable us to invest in a diversified portfolio. The value of the film library shows the Company's outstanding achievement in producing high quality films, and the general market recognition of our production.

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基於電影行業的高風險性質，以及對流動資金的龐大需要，本公司年前開始積極尋求多元化之投資機會，特別是可提供穩定收入貢獻的業務，分散風險之餘，並為公司長遠的發展作出貢獻。

澳門毗鄰香港，近年來娛樂博彩業及旅遊業發展迅速，本公司作為一家地區性的娛樂事業公司，亦積極開拓澳門市場的商機。

在六月份，本公司分別與香港上市公司永安旅遊(控股)有限公司的全資附屬公司Harvest Metro Corporation、獨立第三者陳澤武先生、香港上市公司澳門實德有限公司之間接全資附屬公司Top Region Assets Limited等達成多項買賣協議，以總代價490,000,000港元，間接購入Kingsway Hotel Limited已發行股本61.5%權益。

Kingsway Hotel Limited之主要資產為澳門金域酒店。該酒店位於澳門新口岸高美士街176至230號，長崎街64A至82號，廈門街37A至59號交界，為三星級酒店，於1992年開幕，共有383間客房，配套設施包括賭場、健美水療、夜總會及零售店舖。

目前，本公司已進一步向Great Trust - Gestao E Participacoes, Limitada收購其直接及間接持有之Kingsway Hotel Limited已發行股本餘下38.5%權益，總代價240,000,000港元，金域酒店因而成為本公司全資間接擁有。

為進一步開拓澳門的娛樂博彩業務，本公司為Kingsway Hotel Limited引入策略性股東，包括以總代價315,000,000港元，向Sociedade De Jogos De Macau, S.A.之間接全資附屬公司SJM-Investimentos Limitada，以及在澳門擁有逾二十年博彩業經驗之Li Chi Keung先生及Wong Hoi Ping女士等額全資擁有之Most Famous Enterprises Limited，出售Kingsway Hotel Limited已發行配額之50%及有關銷售貸款。

出售完成後，本公司委任SJM-Investimentos Limitada何鴻榮博士為Kingsway Hotel Limited公司主席，而Most Famous Enterprises Limited亦將委派兩名董事加入Kingsway Hotel Limited，負責賭場及博彩業務之市場推廣及宣傳事宜。此外，SJM-Investimentos Limitada亦承諾租賃金域酒店部份作為賭場，開設不少於50張公眾賭桌及一個吃角子老虎機

In light of the risks involved in investing in the film industry, as well as the huge demand in liquid capital, our Company has been looking for diversified investment opportunities in these few years. The investment portfolios which we are now looking for are those which can contribute a decent and steady return to our business. Apart from spreading out risks, such investments must be able to contribute towards the future development of our Company.

Macau, Hong Kong's close neighbour, has been actively and rapidly developing its entertainment, gaming and tourism businesses in these few years. Our Company, as a regional entertainment enterprise, has been developing business opportunities in Macau pro-actively.

In June, the Company entered into several acquisition agreements with Harvest Metro Corporation, a wholly-owned subsidiary of Wing On Travel (Holdings) Limited, a listed company in Hong Kong, Mr. Chan Chak Mo, an independent third party, and Top Region Assets Limited, an indirect wholly-owned subsidiary of Macau Success Limited, a listed company in Hong Kong, respectively to acquire an indirect 61.5% equity interest in Kingsway Hotel Limited at total consolidation of HK\$490,000,000.

The principal asset of Kingsway Hotel Limited includes Kingsway hotel in Macau. The Hotel is a three-star hotel and is located at Rua De Luis Gonzaga Gomes No. 176-230, Rua De Nagasaki No. 64-A-82, Rua De Xiamen No.37-A-59, Macau. The Hotel opened in 1992 and has a total of 383 guests rooms with ancillary facilities including, among other, a casino, a health spa, a night-club and retail shops.

Currently, the Company has further entered an agreement with Great Trust - Gestao E Participacoes, Limitada for the acquisition of 38.5% equity interest in Kingsway Hotel Limited, which is directly and indirectly owned by Great Trust - Gestao E Participacoes, Limitada at total consideration of HK\$240,000,000. Thereafter, Kingsway Hotel Limited becomes indirectly wholly owned by the Company.

In order to further expand the Company's entertainment and gambling businesses in Macau, we have introduced strategic investors into Kingsway Hotel Limited. The Company entered agreements with SJM-Investimentos Limitada, a wholly-owned subsidiary of Sociedade De Jogos De Macau, S.A., and Most Famous Enterprises Limited, a company wholly equally owned by Mr. Li Chi Keung, who has more than 20 year's experience in Macau's gambling businesses and Ms. Wong Hoi Ping, respectively to sell in total 50% of issued quota and the relevant sale loan of Kingsway Hotel Limited at total consideration of HK\$315,000,000.

Upon the completion of the agreement, the Company will appoint Dr. Stanley Ho of SJM-Investimentos Limitada as chairman of Kingsway Hotel Limited. Furthermore, Most Famous Enterprises Limited will nominate two directors to join the board of Kingsway Hotel Limited and they will manage the matter relating to the marketing and promotion functions of the casino and gambling business in Kingsway Hotel Limited. SJM-

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中心，租金及市場推廣及宣傳費用為該等公眾賭桌每月贏款淨額之40%及吃角子老虎機每月應佔贏款淨額之31%。預計將可為本公司帶來穩定之收益。

本公司相信，透過與澳門經驗豐富及具知名度之SJM-Investmentos Limitada及Most Famous Enterprises Limited合作經營，除可獲得即時之現金收入，改善公司之現金流外，更有助增強金域酒店，特別是賭場營運上之經營管理實力，有利於本公司在澳門娛樂市場的業務發展。

本公司亦正與SJM-Investmentos Limitada磋商，在金域酒店前面之停車場位置興建賭場新翼，預計本公司將可因而進一步擴大在博彩業務上之收益。本公司相信購入金域酒店權益及引入策略性股東後，將可有助本公司多元化擴充業務，擴闊收益基礎，為公司長遠發展帶來正面的貢獻。

此外，本公司亦正積極尋求其他投資機會，本公司的聯營公司豐采多媒體有限公司，正進行國內房地產的投資，而本公司亦將繼續洽商投資其他可能為公司帶來盈利貢獻的項目，令公司的業務趨向更多元化發展。

過往一年，公司面對行業不景，艱苦經營的局面，幸得公司同仁上下一心，旗下各演藝人員及幕後工作人員傾力支持，仍能製作出高水準的電影作品，獲得觀眾及業內人士的認同。年內本公司會繼續審慎製作優質電影，而透過向衛星電視出售公司片庫及財務融資安排等，籌集資金作多元化投資，特別是進軍澳門娛樂博彩業務，長遠而言，將可為本公司開拓穩定及長遠之收入來源。

本公司亦將秉承一貫審慎經營的方針，積極掌握商機，降低商業風險，爭取可觀回報，以回饋各位股東多年來對公司的支持。

主席  
向華強

香港，二零零七年四月二十六日

Investimentos Limitada undertakes to lease part of the Kingsway Hotel for casino with no less than 50 mass market gaming tables and a slot machine entertainment centre at a monthly rental and marketing and promotion fee to Kingsway Hotel Limited of around 40% of net win attributable from such mass market gaming tables per month and 31% of the net win attributable from slot machine. We expect the business will contribute a stable income for the Company.

In addition to an immediately cash inflow to reinforce the cash flow of the Company, we believe, with the vast experience and reputation of SJM-Investmentos Limitada and Most Famous Enterprises Limited, the cooperation will strengthen the management and operation capacity of Kingsway Hotel, especially in gambling area, and further benefit to the business development of the Company in Macau.

The Company is negotiating with SJM-Investmentos Limitada to explore the possibility to build a casino extension on the piece of land, which is currently used as a parking lot, outside the front of the Kingsway Hotel. We expect the casino extension will further expand our revenue from gaming. We believe that the acquisition of Kingsway Hotel and the introduction of strategic investors will help the Company to diversify its business portfolio as well as widen its profit base, which will be beneficial for the further development of our Company.

The Company will continue to seek for other investment opportunities. Our associated company, Riche Multi-Media Holdings Limited is now participating the real estate investment in P.R.C. We will also keep on business negotiation for projects with good investment potential, which can contribute profits and diversify the investment portfolios of the Company.

In the past year, though the Company was faced with a difficult and challenging environment, our staff, our artists and colleagues working at the backstage were committed to their work. The Company was able to produce excellent results with high quality film productions recognized by the industry. Looking into the future, the Group will continue to produce best-selling original films in a cautious manner. Through the sales of film library to Star TV as well as financing arrangement, the Company is able to gain cash flow and explore diversified business opportunities, especially the gaming business in Macau, which will contribute a stable and long term revenue for the Company.

The Company will keep on cautiously manage the business direction and also take business opportunities with good potential, reduce the risk of investment, and establish a steady profit base. All these are crucial for the well being and further development of our company, as these measures will generate good returns to investors and shareholders.

Chairman  
**Heung Wah Keung**

Hong Kong, 26th April, 2007