INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend in respect of the six months ended 31st December 2000 (1999: Nil).

FINANCIAL REVIEW / LIQUIDITY AND CAPITAL STRUCTURE

As at 31st December 2000, the Group had cash balances and banking facilities of approximately HK$27.8 million and HK$95.4 million respectively.

During the period, the Group issued US$7 million unsecured convertible notes (the "Notes") to Multimedia Group Limited, a company wholly-owned by a fund under the management of HSBC Private Equity (Asia) Limited, providing funding for content library expansion. Consequently, gearing ratio after the issuance of the Notes increased to 53% (June 2000: 33%). The gearing ratio would have dropped to 23% if the Notes had been fully converted into the Company's shares on or before 31st December 2000.

As at 31st December 2000, the Group had total assets of approximately HK$385 million, representing an increase of HK$62 million (June 2000: HK$323 million), which is attributable to mainly the expansion of content library by producing Titles and retained profit of HK$24 million for the period under review. The value of film rights has increased by HK$47 million to HK$163 million (June 2000: HK$116 million).

BUSINESS STRATEGY

Since 2000, the Group has implemented its strategy to expand its content library through increased emphasis on investment in film production and acquisition of video entertainment programmes ("Titles") with perpetual and all rights. This contrasts with prior years when content investments principally comprised acquisitions of Titles for selected exhibition windows/areas with limited time periods.

The Group expects a substantial increase in content investment for the current financial year, in conjunction with the above strategy of investing in film production and acquiring Titles with perpetual rights and all rights. Such significant increment in content investment is expected to stabilize in the coming financial year.

The Group projects that the full cost of content investment including marketing expenses will be recovered within one and a half to three years. Thereafter, further revenue will be directly added to the Group's profit.