

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Property Rental

Property rental income was mainly derived from leasing office premises to our associated company, Television Broadcasts Limited.

Film Distribution

The Company, through a non-wholly owned subsidiary, produced and released 6 films during the year. Although a loss of HK\$5.3 million was recorded due to heavy promotion expenses, the Company is confident that, going forward, the film distribution business will improve. Currently four films are under production.

Filming Facilities Services

A loss of HK\$10.7 million was recorded mainly due to initial expenses incurred in setting up the Film Remastering Centre. The Centre is expected to generate positive results in the current year.

Clearwater Bay Site

The District Planning Office, Sai Kung, has gazetted the Draft Clear Water Bay Peninsula North Development Permission Area Plan which includes the development of the Company's Clearwater Bay Site and is awaiting objections, from the public, to the Plan. Based on the draft plan gazetted by the Government, we will be permitted to develop the site to the extent of approximately 63,000 square metres of residential and 17,000 square metres of commercial gross floor area. Final approval of the scope and character of development is expected to take at least another 24 months.

Associated Companies

Contribution from Television Broadcasts Limited to Group profits fell by 22.98%, while the dividend income remained at the same level as the previous year.

The Movie City Project is progressing as planned and the project is expected to be completed by June 2005.

Financial

The Group had no significant external borrowing and consequently none of the Group Assets are subject to any charge. There was no acquisition or disposal of subsidiaries or associated companies in the course of the financial year.