
MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

In the year under review, the Group recorded a turnover of HK\$83.4 million. Film distribution and licensing, film processing and advertising and promotional services contributed to 42.4%, 35.0% and 22.4% respectively of the Group's turnover. The decrease in turnover compared with the prior year is mainly due to slow down of the film industry.

The Group reported a net loss of HK\$7.5 million compared to a net profit of HK\$41.1 million last year. Basic loss per share is 2.35 HK cents, calculated on the weighted average number of 319,397,260 shares in issue in 2002 compared with 16.52 HK cents earnings per share of the prior year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2002, the Group's gross assets stood at HK\$138.1 million. The net tangible assets of the Group is HK\$125.6 million or 39 HK cents per share. The cash and cash equivalent is HK\$15.1 million.

BORROWINGS AND BANKING FACILITIES

As at 31st December, 2002, the Group had outstanding short-term bank borrowings of approximately HK\$0.4 million (represented by current portion of property mortgage loan). The main purpose of the bank loan is to finance the daily operation of the Group.

The aggregate banking facilities of the Group was approximately HK\$18.8 million. The utilization rate of banking facilities was about 6.3%. These banking facilities were secured by certain land and buildings of the Group.

The bank borrowings are made in Hong Kong Dollars.

As at 31st December, 2002, the gearing ratio of the Group, calculated at net borrowings divided by shareholders' funds, was 0.9%.

NET CURRENT ASSETS AND WORKING CAPITAL

As at 31st December, 2002 the Group's total current assets and current liabilities were approximately HK\$113.9 million and HK\$11.0 million respectively. The Group services its debts primarily through cash generated from its operations. After considering the financial resources available to the Group including internally generated funds, the available unutilized banking facilities in 2002, the Directors are of the opinion that the Group has sufficient resources and working capital to meet its foreseeable capital expenditure and debt repayment requirement.

INVESTMENT

During the year, the Group has made an equity investment in a PRC joint venture.

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STAFF COST, DIRECTOR BONUSES AND SHARE OPTION SCHEME

Staff cost for the year ended 31st December, 2002 was \$17.6 million representing an increase of 22%. The Group had a workforce of about 76 staff at the end of 2002. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis.

The Group has adopted a share option scheme under which the Directors of the Company may, at their discretion, invite Executive Directors and full-time employees of the Group to take up options which entitle them to subscribe for shares representing up to a maximum of 10% of the issued share capital of the Company from time to time.

FUTURE PLAN

The Group has remained focused on the business opportunities in the PRC market. In the coming year, the Group will finalise our plan in setting up joint venture partners in China for the advertising business and to develop film distribution business and set up of cinemas in China.

In addition, the Group is still seeking a business partner in China to expand the film processing business.