

---

---

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

---

### **BUSINESS REVIEW AND OUTLOOK**

In the year under review, the Group recorded a turnover of HK\$58.5 million. Film distribution and licensing, film processing and advertising and promotional services contributed to 42.4%, 42.6% and 14.5% respectively of the Group's revenue. The decrease in revenue compare with the prior year is mainly due to the general economy slump as the result of the outbreak of Severe Acute Respiratory Syndrome in Hong Kong.

The Group, however, reported a net profit of HK\$0.6 million compared to a net loss of HK\$7.5 million last year. Basic earning per share is 0.17 HK\$ cents, calculated on the 330,000,000 shares in issue in the 2003 compared with 2.35 HK\$ cents loss per share of the prior year.

### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31st December 2003, the Group gross assets stood at HK\$174.6 million. The net tangible assets of the Group is HK\$126.1 million or 38 HK\$ cents per share. The cash and cash equivalent is HK\$15.4 million.

### **BORROWINGS AND BANKING FACILITIES**

As at 31st December, 2003, the Group had outstanding short-term bank borrowings of approximately HK\$15.0 million (represented by current portion of property mortgage loan and any other 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\$19.8 million. The utilization rate of banking facilities was about 56.1%. 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, 2003, the gearing ratio of the Group, calculated at net borrowings divided by shareholders' funds, was 19.3%.

### **NET CURRENT ASSETS AND WORKING CAPITAL**

As at 31st December, 2003 the Group's total current assets and current liabilities were approximately HK\$133.4 million and HK\$37.8 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 2003, 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.

---

---

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

---

(Continued)

### **INVESTMENT**

During the year, the Group has made certain equity investments in a few PRC joint ventures.

### **STAFF COST, DIRECTOR BONUSES AND SHARE OPTION SCHEME**

Staff cost for the year ended 31st December, 2003 was \$15.6 million representing an decrease of 11%. The Group had a workforce of about 79 staff at the end 2003. 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 continue 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.