

MANAGEMENT DISCUSSION AND ANALYSIS

Property Rental

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

Film Distribution

One film produced during the year was released in April 2004 with satisfactory results.

We are in discussion with mainland investors to co-produce movies in China. The negotiations are at a preliminary stage.

Filming Facilities Services

The Film Remastering Centre contributed HK\$2,121,000 towards Group profits. The shortfall in contribution over 2003 is due to timing differences.

Clearwater Bay Site

Submission of the revised Master Layout Plan has been delayed pending discussions with SCMP Group Limited, which owns the adjoining TV City properties, for a joint submission which will be mutually beneficial to both parties.

Associated Companies

Contribution after taxation from Television Broadcasts Limited to Group profits fell by 25.2%, even though its consolidated revenues for 2003 exceeded that of 2002 by 5%. This was due to increased cost burden made up largely of exceptional items.

Movie City Project

The superstructure work is progressing to schedule, and completion of the first phase, namely the administration block and the post production suites, is expected to be completed by August 2004. The Movie City is expected to come into operation in phases starting from the first quarter of 2005, after completion of internal fitting out works.

Financial

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

Contingent Liabilities

As at 31st March 2004, the Group and the Company did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st March 2004, the Group employed a total of 184 full time employees, all in Hong Kong. During the year under review, there was no significant change in the Group's remuneration policies.