

# MANAGEMENT'S DISCUSSION AND ANALYSIS

---

## **BUSINESS REVIEW AND OUTLOOK**

In the year under review, the Group recorded a turnover of HK\$53.2 million. Film distribution and licensing, film processing and advertising and promotional services contributed to 42.4%, 38.7% and 19.0% respectively of the Group's revenue. The decrease in revenue compared with the prior year is mainly due to the general market slump in Hong Kong's film industry.

The Group, reported a net loss of HK\$56 million compared to a net profit of HK\$0.6 million last year. Loss per share is 17.05 HK\$ cents, calculated on the 330,000,000 shares in issue in the 2004 compared with 0.17 HK\$ cents profit per share of the prior year.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31st December, 2004, the Group gross assets stood at HK\$113.5 million. The net tangible assets of the Group is HK\$69.9 million or 21 HK\$ cents per share. The cash and cash equivalent is HK\$10.1 million.

## **BORROWINGS AND BANKING FACILITIES**

As at 31st December, 2004, the Group had outstanding short-term bank borrowings of approximately HK\$9.5 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.

As at 31st December, 2004, the aggregate banking facilities of the Group was approximately HK\$23.7 million. The utilization rate of banking facilities was about 57.4%. 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, 2004, the gearing ratio of the Group, calculated at total borrowings divided by shareholders' funds, was 31.3%.

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

As at 31st December, 2004 the Group's total current assets and current liabilities were approximately HK\$82.2 million and HK\$38.5 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 2004, 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 certain equity investments in HK stock market.

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

Staff cost for the year ended 31st December, 2004 was \$14.6 million representing an decrease of 6.1%. The Group had a workforce of about 77 staff at the end 2004. 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**

In the coming year the Group will continue to focus on the business opportunities in the PRC market. Following the establishment of 東方橫店影視後期製作有限公司 which is a sino-foreign joint venture in the PRC early this year, this will create even more room for development for the Group's film processing business in PRC.