

## MANAGEMENT DISCUSSION AND ANALYSIS

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### Property Rental

Property rental income was mainly derived from leasing office premises to our associated company, Television Broadcasts Limited. The lease expires on 30th June 2005 and the Company is exploring options to maximize the potential for rental income.

### Filming Facilities Services

Filming facilities services comprise Film Remastering and Film Processing Centres, and the contribution towards Group profits during the year was HK\$2,964,000, in line with expectations.

### Redevelopment Of Clearwater Bay Site

Consideration of the Master Layout Plan submitted in October 2002 has been re-activated, and it is anticipated that by the end of the year 2005, the Company should be able to determine the scope and character of the development.

### Associated Companies

The recovery in the economy in Hong Kong during 2004 reflected in robust growth in advertising revenues, and as a result the contribution after taxation from Television Broadcasts Limited to Group profits during the year increased by 63%.

### Movie City Project (Shaw Studios)

The Occupation Permit was obtained only in March 2005. Internal fitting out works are in progress and soft launch of the studio facilities is expected to be in the first quarter of March 2006.

### 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

A civil suit has been filed, by a stuntman who was injured during the course of film production, against Film Power Company Limited, a non-wholly owned subsidiary of the Company. Based on Counsel's advice, the Directors estimate that the maximum compensation payable will be HK\$1.0 million.

Apart from the above, the Group and the Company did not have any significant contingent liabilities as at 31st March 2005.

### Exposure To Fluctuations In Exchange Rates

As the majority of the revenues, expenses, assets and liabilities of the Group are denominated in Hong Kong Dollars, the Group does not have significant risk in exposure to fluctuations in exchange rates.

### Employees And Remuneration Policies

As at 31st March 2005, the Group employed a total of 171 full time employees, all in Hong Kong. During the year under review, there was no significant change in the Group's remuneration policies.