

MANAGEMENT DISCUSSION AND ANALYSIS

Property Rental

The lease of office premises to our associated company, Television Broadcasts Limited, expired on 30th June 2005. The Company has successfully leased out 40% of the office premises previously occupied by Television Broadcasts Limited as at the end of financial year.

Filming Facilities Services

Filming facilities services comprise Film Remastering and Film Processing Centres, and the contribution towards Group profits during the year was HK\$3.6 Million.

Redevelopment Of Clearwater Bay Site

Based on comments received from the relevant government departments on the Traffic & Environment Impact assessments, a revised Master Layout plan was submitted on 28th April 2006. The Master Layout Plan will be considered by the Town Planning Board at its meeting to be held in July 2006.

Associated Companies

Television Broadcasts Limited continued to report growth in advertising revenues during 2005 against the background of continued strength in Hong Kong's economy. Coupled with substantial savings in programme costs and gain on disposal of 51% equity interest in Galaxy Satellite TV Holdings Limited, the contribution after taxation to Group's profits during the year increased by 64%.

Movie City Project (Shaw Studios)

Soft launch of the sound stages took place in March 2006, and the fitting out of the post-production facilities is expected to be completed by the first quarter of 2007.

Financial And Capital Structure

The Group had no 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.

Capital Commitments

As at 31st March 2006, capital commitments of the Group amounted to HK\$29.6 Million (2005: HK\$69.8 Million), which would be funded by internal resources.

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Contingent Liabilities

The civil suit 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, has been settled out of Court at HK\$1.3 Million on 17th August 2005.

As at 31st March 2006, the Group and the Company did not have any significant contingent liabilities.

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 2006, the Group employed a total of 176 full time employees, all in Hong Kong. During the year under review, there was no significant change in the Group's remuneration policies.