

## BUSINESS REVIEW AND OUTLOOK

In the year under review, the Group recorded a revenue of HK\$77.2 million. Film distribution and licensing, film processing and advertising and promotional services contributed to 61.7%, 29.1% and 9.2% respectively of the Group's revenue. The increase in revenue compared with the prior year is mainly due to the increase in film distribution and licensing revenue of the Group resulting from the successful execution of the CEPA (Closer Economic Partnership Arrangement) Model by the Group.

During the period, the Group has disposed of 15,976,000 shares in Jade Dynasty Group Limited, whose shares are listed on the Stock Exchange of Hong Kong and were held by the Group as available-for-sale investments as at 31st December, 2005, for an aggregate consideration of approximately HK\$10.7 million resulting in a profit of approximately HK\$5.04 million.

The Group reported a profit of HK\$1.7 million compared to a loss of HK\$18.6 million last year. Earnings per share is 0.51 HK cents, calculated on the 330,000,000 shares in issue in 2006 compared with loss of 5.64 HK cents per share of the prior year.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2006, the Group's gross assets stood at HK\$109.9 million. The net tangible assets of the Group is HK\$54.7 million or 16.57 HKcents per share. The cash and cash equivalents is HK\$16.7 million.

## BORROWINGS AND BANKING FACILITIES

As at 31st December, 2006, the Group had outstanding short-term bank borrowings of approximately HK\$5.4 million. The main purpose of the bank loan is to finance the daily operation of the Group.

As at 31st December, 2006, the aggregate banking facilities of the Group was approximately HK\$17.15 million. The utilization rate of banking facilities was about 34.99%. 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, 2006, the gearing ratio of the Group, calculated at total borrowings divided by shareholders' funds, was 34.7%.

## NET CURRENT ASSETS AND WORKING CAPITAL

As at 31st December, 2006 the Group's total current assets and current liabilities were approximately HK\$79.8 million and HK\$40.8 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 2006, 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 held equity investments in HK stock market.

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

Staff cost for the year ended 31st December, 2006 was HK\$16.1 million representing an increase of 8.3%. The Group had a workforce of about 76 staff at the end 2006. 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. During the year ended 31st December, 2006, options were granted on 23rd June. Details of the share options granted under the scheme are set out in note 29 to the consolidated financial statements.

## **FUTURE PLAN**

In the coming year the Group will still continue to focus on the business opportunities in the PRC market. In addition, with the new opportunities provided by the implementation of CEPA and the continuing expansion and increasing variety of the film and television markets in Mainland China, the Group would stand to benefit from even more business opportunities in the near future.