

CHAIRMAN'S STATEMENT

主席報告

2005 was another difficult year for Hong Kong-made movies in China. In response to the weak market conditions in China, we adopted a cautious approach in acquiring film rights, reduced the number of new films released, restructured our China distribution networks and divested certain investments with less profit potential during the year. These measures have improved the Company's cost structure and positioned it to better compete for success in the years to come.

In April 2005, we intended to expand into gaming business by entering into a conditional agreement with the independent third parties in relation to the acquisition of the entire issued share capital of a company which engages in the provision of rolling and settlement services in the gaming establishment on board Asia Star. However, the due diligence on the company was not satisfactory to us. We decided not to proceed to complete the conditional agreement.

Following Beijing's successful bid for the 2008 Olympic Games and China's accession to the World Trade Organisation, many foreign companies will expand their business and continue sending an increasing amount of senior executives to China. Because of their flexibility in leasing terms, full amenities and high standard management, serviced apartments are always the first choice of foreign executives. In view of the growing demand for high-end serviced apartments, we entered into a conditional agreement with an independent third party in relation to the acquisition of the entire issued share capital of a property investment company in February 2006. The major asset of the property investment company is a property located at the center of Beijing, China. The property is currently under renovation and being transformed from an apartment complex into serviced apartments. The renovation is expected to be completed in October 2006. Subject to the fulfillment of the conditions, the acquisition is expected to be completed in June 2006. We currently intend to hold the property as a long-term investment for rental purposes. We believe that the acquisition would enable the Group to diversify its businesses and provide us with a more stable revenue stream.

Given the downturn of Hong Kong-made movies in China, our ability to acquire quality film rights at competitive prices and operate in a cost effectively manner will be crucial to drive towards profitability. In 2006, we will continue to solidify our fundamentals by refining our operations and seek diversification opportunities to broaden our revenue base.

對中國之港產電影而言，二零零五年又是困難重重之一年。因應中國之疲弱市況，本集團於年內在購入電影發行權方面採取審慎方針、減少新電影發行數目、重整中國之發行網絡，並撤離利潤潛力較低之若干投資。此等措施均有助改善本集團之成本架構，令本公司準備就緒，在來年提高競爭力，謀求更大成就。

於二零零五年四月，本集團擬透過與獨立第三方就收購一間從事向亞洲之星船上娛樂設施之客戶提供轉碼及結算服務之公司之全部已發行股本訂立有條件協議，以涉足娛樂業。然而，本公司並不信納對該公司進行之盡職審查。本公司決定不會完成有條件協議。

隨著北京成功申辦二零零八年奧運及中國加入世界貿易組織，不少海外公司將擴充其業務，並繼續派駐更多高級行政人員往中國。由於其租賃條款富靈活性、設施一應俱全且具有高管理水平，故服務式住宅一直是海外行政人員之首選。鑑於對高尚服務式住宅之需求日益殷切，故於二零零六年二月，本集團與另一名獨立第三方就收購一間物業投資公司之全部已發行股本訂立一份有條件協議。該物業投資公司之主要資產為位於中國北京市中心之物業。該物業現正進行翻新，並將由分層住宅大樓轉換為服務式住宅，預期將於二零零六年十月前完成翻新。待條件獲達成後，收購事項預期將於二零零六年六月完成。本集團現擬持有該物業作為租賃用途之長期投資。本集團相信，收購事項將讓本集團可將其業務多元化及為其提供更穩定之收益來源。

鑑於港產電影在中國之行情出現衰退，本集團以具競爭力之價格購入高質素電影發行權及以具成本效益之方式經營之能力均對提高盈利能力極為關鍵。於二零零六年，本集團將繼續精簡業務，物色分散業務之良機擴大其收益基礎，以加強其基本因素。

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I would like to thank our board of directors, shareholders, customers and industry partners for their continued support and our employees for contributing their energy and skills this past year. I look forward to a productive year in 2006.

Heung Wah Keung
Chairman

Hong Kong, 24 April 2006

本人謹此多謝過去一年董事會、股東、客戶及業內夥伴不斷的支持及員工的貢獻及努力。期望二零零六年有所收成。

主席
向華強

香港，二零零六年四月二十四日