

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

FINANCIAL REVIEW

The Group recorded a turnover of HK\$38,339,000 for the year ended 31 December 2005, a 34% decrease from HK\$58,382,000 for the previous year. The decrease was mainly attributed to a decrease in the number of films distributed and sub-licensed. Of the total turnover amount, HK\$9,382,000 or 25% was generated from distribution of films, HK\$10,534,000 or 27% was generated from sub-licensing of film rights and HK\$18,423,000 or 48% was generated from investments in securities. The loss for the year ended 31 December 2005 was HK\$29,664,000, representing an 89% improvement over the corresponding figure of HK\$268,347,000. The improvement in the loss for the year was mainly attributable to the fact that the Group did not record any allowance for advances to an associate in 2005 while the Group recorded such an allowance of HK\$138,531,000 in 2004, and a substantial decrease in impairment losses.

Cost of sales for the year ended 31 December 2005 amounted to HK\$36,466,000, out of which HK\$20,374,000 was related to investments in securities. Cost of sales for film distribution and sub-licensing of film rights decreased from HK\$32,436,000 for the year ended 31 December 2004 to HK\$16,092,000 for the year ended 31 December 2005. The decrease was attributed to a decrease in amortisation of film rights, which was the result of distributing and sub-licensing a less number of films in 2005.

Gross profit margin for film distribution and sub-licensing of film rights dropped from 26% in the year ended 31 December 2004 to 19% in the year ended 31 December 2005. The drop in gross profit margin was attributed to the better margins the Group obtained from the delivery of 108 old films in 2004, the cost of which had already been almost fully amortised.

For the year ended 31 December 2005, the Group recorded a gross loss of HK\$1,951,000 for investments in securities. Taking into account the dividend income of HK\$627,000 recorded in other revenue, the performance of the Group's financial assets at fair value through profit and loss was a loss of HK\$1,324,000 for the year. At 31 December 2005, the fair value of the Group's financial assets at fair value through profit and loss amounted to HK\$30,567,000. The Group will manage its financial assets at fair value through profit and loss in a prudent manner.

財務回顧

截至二零零五年十二月三十一日止年度，本集團錄得營業額38,339,000港元，較去年之58,382,000港元減少34%。營業額減少主要與發行及轉授發行權之電影數目減少有關。營業總額中，9,382,000港元或25%來自發行電影，10,543,000港元或27%來自轉授電影發行權，及18,423,000港元或48%來自證券投資。截至二零零五年十二月三十一日止年度之虧損為29,664,000港元，較同期數字268,347,000港元改善89%。改善主要與本集團於二零零五年並無錄得任何墊付聯營公司款項撥備而本集團於二零零四年錄得該撥備138,531,000港元，及減值虧損大幅減少有關。

截至二零零五年十二月三十一日止年度之銷售成本為36,466,000港元，其中20,374,000港元與證券投資有關。發行電影及轉授電影發行權之銷售成本由截至二零零四年十二月三十一日止年度之32,436,000港元減少至截至二零零五年十二月三十一日止年度之16,092,000港元。減少主要與二零零五年發行及轉授發行權之電影數目減少，以致電影發行權之攤銷減少有關。

發行電影及轉授電影發行權之毛利率由截至二零零四年十二月三十一日止年度之26%下跌至截至二零零五年十二月三十一日止年度之19%。毛利率下跌與二零零四年交付108部成本差不多已全數攤銷之舊電影取得較佳毛利率有關。

截至二零零五年十二月三十一日止年度，本集團之證券投資錄得1,951,000港元之虧損總額。經計入其他收益錄得之股息收入627,000港元，本集團按公平值計入損益表之金融資產之本年度表現為虧損1,324,000港元。於二零零五年十二月三十一日，本集團之按公平值計入損益表之金融資產之公平值為30,567,000港元。本集團將審慎管理其按公平值計入損益表之金融資產。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

Other revenue increased from HK\$390,000 in the year ended 31 December 2004 to HK\$2,066,000 in the year ended 31 December 2005. The increase was mainly attributed to an increase in interest income on bank deposits of HK\$1,339,000 resulting from the increase in the Group's bank deposits and the receipt of dividend income of HK\$627,000 from the Group's financial assets at fair value through profit and loss.

Other income represents a gain of HK\$7,110,000 arising from the sale of the Group's leasehold land and buildings to China Star Group in July 2005.

During the year, the Group had exercised prudence measures on cost control policies and decreased its administrative expenses (net of amortisation and depreciation expenses, and impairment losses) to HK\$14,552,000 in the year ended 31 December 2005, a 36% decrease as compared to the correspondence figure of HK\$22,785,000 for the previous year.

To cope with the difficult operating environment, management reviewed the headcount policy and reduced the Group's headcount at 28 at 31 December 2005 to create a more efficient infrastructure. Total staff costs (including directors' remuneration) amounted to HK\$6,956,000 in the year ended 31 December 2005, a 32% decrease from HK\$10,220,000 for the previous year. Employees are remunerated according to their performance and work experience. In addition to basic salaries and retirement scheme, staff benefits include medical scheme and share options. An analysis of headcount and total staff costs of the Group for the years ended 31 December 2005 and 2004 is as follows:

其他收益由截至二零零四年十二月三十一日止年度之390,000港元增加至截至二零零五年十二月三十一日止年度之2,066,000港元。增加主要與本集團之銀行存款增加，以致銀行存款之利息收入增加1,339,000港元，以及本集團自按公平值計入損益表之金融資產收取股息收入627,000港元有關。

其他收入指本集團於二零零五年七月向中國星集團出售其租賃土地及樓宇而產生收益7,110,000港元。

年內，本集團採取審慎之成本控制政策措施，將行政開支(扣除攤銷及折舊開支及減值虧損)減少至截至二零零五年十二月三十一日止年度之14,552,000港元，較去年之同期數字22,785,000港元減少36%。

為應付艱難之經營環境，管理層檢討其人手政策，縮減本集團於二零零五年十二月三十一日之僱員人數至28以建立更有效率之架構。截至二零零五年十二月三十一日止年度之總員工成本(包括董事酬金)為6,956,000港元，較去年之10,220,000港元減少32%。僱員乃按其表現及工作經驗獲得酬金。除基本薪金及退休計劃外，員工福利亦包括醫療計劃及購股權。截至二零零五年及二零零四年十二月三十一日止年度之本集團人手及總員工成本分析如下：

		Year ended 31 December 截至十二月三十一日止年度	
		2005 二零零五年	2004 二零零四年
Total staff costs (inclusive of severance costs) in HK\$	總員工成本 (包括遣散費，以港元計)		
— Hong Kong and Macau	— 香港及澳門	6,562,000	7,142,000
— The People's Republic of China (the "PRC")	— 中華人民共和國(「中國」)	394,000	3,078,000
		6,956,000	10,220,000
Headcount	僱員人數		
— Hong Kong and Macau	— 香港及澳門	23	26
— the PRC	— 中國	5	15
		28	41

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

At 31 December 2005, an impairment loss of HK\$2,474,000 was recognised for long outstanding receivables. The directors were uncertain whether the amount would ultimately be collected and considered that it was prudent to make such an impairment.

For prudence, the Group has reviewed the carrying amounts of its film rights and, in light of the decline in popularity of Hong Kong films and rampant piracy in the PRC, an impairment loss of HK\$8,956,000 was recognised in the year ended 31 December 2005. The Group has also reviewed the carrying amount of goodwill arising from the acquisition of World East Investments Limited, in light of the difficult operating environment of film exhibition business in the PRC, an impairment loss of HK\$4,400,000 was recognised in the year ended 31 December 2005.

In 2002, Gainful Fortune Limited (“Gainful Fortune”), a then associate of the Group, issued the convertible notes in an aggregate amount of HK\$160,000,000 to the Group for the purchase of the hotel and intranet distribution rights in the PRC in respect of an aggregate of up to 300 films and the entire issued share capital of Ocean Shores Licensing Limited (“OSLL”) from the Group. Gainful Fortune faced the illegal broadcasting of the Group’s films by hotel operators in the PRC and its business did not progress as planned. In April 2005, the Group exercised its right to convert the outstanding principal amount of the convertible notes into shares of Gainful Fortune to repossess the 300 films previously sold. Gainful Fortune and OSLL now become subsidiaries of the Company. Since April 2005, the principal activities of Gainful Fortune and OSLL are holding of film rights. In light of the difficult operating environment in hotel media in the PRC, the Group recognised an impairment loss of HK\$7,656,000 for goodwill arising from the acquisition of Gainful Fortune in the year ended 31 December 2005.

In March 2004, the Group acquired 40% of the issued share capital of Rainbow Choice Enterprises Limited (“Rainbow Choice”) by investing HK\$30,000,000. Rainbow Choice engaged in the business of producing and distributing of entertainment news programmes in the PRC. The acquisition facilitated the Group’s expansion into the PRC television advertising business. As the performance of Rainbow Choice was not satisfactory, the Group entered into an agreement with the other shareholder of Rainbow Choice in April 2005. Under the agreement, the Group would own the intellectual property rights of the contents produced by Rainbow Choice and the other shareholder of Rainbow Choice would repay the production and distribution fees of HK\$18,000,000 to the Group. The Group recognised an impairment loss of HK\$12,000,000 for this investment at the end of 2004.

於二零零五年十二月三十一日，已就長期未償還貿易應收款項確認2,474,000港元減值虧損。董事不肯定最終能否收回有關款項，並認為就此作出減值較為審慎。

為審慎起見，本集團已檢討其電影發行權之賬面值，並鑑於香港電影在中國之受歡迎程度下降及盜版活動猖獗，已於截至二零零五年十二月三十一日止年度確認8,956,000港元減值虧損。本集團亦已檢討收購World East Investments Limited所產生商譽之賬面值，並基於中國電影放映業務經營困難，已於截至二零零五年十二月三十一日止年度確認4,400,000港元減值虧損。

於二零零二年，本集團當時之聯營公司Gainful Fortune Limited (「Gainful Fortune」) 就向本集團購入合共達300部電影於中國之酒店及內聯網發行權及Ocean Shores Licensing Limited (「OSLL」) 全部已發行向本集團發行合共160,000,000港元之可換股票據。Gainful Fortune面對中國酒店營運商非法播放本集團電影之情況，並無按計劃進行業務。於二零零五年四月，本集團行使權利將可換股票據之未贖回本金額兌換為Gainful Fortune股份，以重新擁有早前出售之300部電影。Gainful Fortune及OSLL現成為本公司之附屬公司。自二零零五年四月以來，Gainful Fortune及OSLL之主要業務為持有電影發行權。鑑於中國酒店媒體之經營困境，本集團已於截至二零零五年十二月三十一日止年度就已收購Gainful Fortune所產生商譽確認7,656,000港元減值虧損。

於二零零四年三月，本集團透過投資30,000,000港元，收購Rainbow Choice Enterprises Limited (「Rainbow Choice」) 40%已發行股本。Rainbow Choice之業務為於中國製作及發行娛樂新聞節目。該收購促進本集團擴展至中國電視廣告業務之措施。由於Rainbow Choice之業務並不理想，故本集團於二零零五年四月與Rainbow Choice之另一名股東訂立協議，據此，本集團將擁有Rainbow Choice所製作內容之知識產權，而Rainbow Choice之另一名股東則向本集團付還18,000,000港元之製作及發行費用。本集團已於二零零四年底就該項投資確認12,000,000港元之減值虧損。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

During the year ended 31 December 2005, the Group's operations were funded by cash generated from its operations, the issuance of new shares and a one-year term loan granted by China Star Entertainment Limited ("China Star"). At 31 December 2005, the cash and bank balances of the Group amounted to HK\$137,973,000 and its current ratio was 3.43 (2004: 1.70).

During the year ended 31 December 2005, the Company issued 400,000,000 new shares at a price of HK\$0.34 each by way of a vendor placing and top-up subscription raising HK\$131,179,000 (net of expenses).

On 19 April 2005, the convertible notes issued to First-Up Investments Limited ("First-Up"), a wholly-owned subsidiary of China Star, matured. First-Up did not exercise the right to convert the outstanding principal amount of the convertible notes of HK\$33,800,000 into shares of the Company and the Group repaid HK\$33,800,000 to First-Up. On the same date, China Star granted a one-year term loan of HK\$33,800,000 to the Company.

At 31 December 2005, the Group had outstanding borrowings of HK\$33,800,000 representing the one-year term loan of HK\$33,800,000 granted by China Star, which was unsecured, interest bearing at 1% per annum and maturing on 19 April 2006. The gearing ratio calculated as a percentage of total borrowings over total equity was 20% (2004: 50%).

During the year ended 31 December 2005, the Group had not created any charge on its assets.

The Group adopts a set of treasury policies to ensure a well-balance between cash and financial assets at fair value through profit and loss in order to generate an adequate return on the Group's assets.

As the majority of the Group's transactions, assets and liabilities are denominated in Hong Kong dollars and Renminbi, the exchange risk of the Group is considered to be minimal. Accordingly, no financial instruments for hedging purposes have been used by the Group.

At 31 December 2005, the Group had no material contingent liabilities.

於截至二零零五年十二月三十一日止年度內，本集團主要以經營所得現金、發行新股份及China Star Entertainment Limited(中國星集團有限公司，「中國星」)授予之一年期貸款應付其營運所需。於二零零五年十二月三十一日，本集團之現金以及銀行結存為137,973,000港元，而其流動比率為3.43(二零零四年：1.70)。

於截至二零零五年十二月三十一日止年度內，本公司透過賣方配售及補足認購之方式按每股0.34港元之價格發行400,000,000股新股份，籌集131,179,000港元(扣除開支)。

於二零零五年四月十九日，發行予中國星之全資附屬公司First-Up Investments Limited(「First-Up」)之可換股票據到期。First-Up並無行使權利將可換股票據之未贖回本金額33,800,000港元兌換為本公司股份，而本集團付還33,800,000港元予First-Up。同日，中國星向本公司授出一年期貸款33,800,000港元。

於二零零五年十二月三十一日，本集團之未償還借貸為33,800,000港元，即中國星授予之一年期貸款33,800,000港元，該貸款為無抵押、按年息一厘計息，並於二零零六年四月十九日到期。以借貸總額除以股權總額計算之負債比率為20%(二零零四年：50%)。

於截至二零零五年十二月三十一日止年度內，本集團並無抵押其任何資產。

本集團採納一系列財政政策，以確保現金與按公平值計入損益表之金融資產之間維持平衡，為本集團資產產生充分回報。

由於本集團大部份交易、資產及負債均以港元及人民幣為單位，故本集團之外匯風險極低。因此，本集團並無使用任何金融工具作對沖用途。

於二零零五年十二月三十一日，本集團並無重大或然負債。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

OPERATION REVIEW

For the year ended 31 December 2005, the turnover for distribution of films decreased to HK\$9,382,000, a 66% decrease from HK\$27,285,000 for the previous year. The decrease was due to the decrease in the number of films distributed and the decline in average distribution income per new film. During the year, the Group released five new films in video format as compared to 10 new films in the previous year. The decline in popularity of Hong Kong films and the rampant piracy placed price pressures on the Group's films. During the year, the Group recorded an 18% decrease in the average distribution income per new film compared to the previous year. During the year ended 31 December 2005, the Group did not sell any video rights of its old films in the PRC while the Group sold 32 old films to a PRC distributor in the previous year. As the piracy in the PRC continued to proliferate, the Group decided to cease to sell its video products through Carrefour's 27 stores at the end of 2004. Accordingly, the Group terminated the sub-distribution arrangement with 天津市星匯音像制品銷售有限公司 (Tianjin Xinghui) in the first quarter of 2005.

For the year ended 31 December 2005, the turnover for sub-licensing of films rights amounted to HK\$10,534,000, a 35% decrease compared to HK\$16,319,000 for the previous year. The decrease was attributed to the decrease in the number of films exhibited and sub-licensed. During the year, five new films (2004: seven) were theatrically released in the PRC and 31 film rights (2004: 52) in respect of free TV were sub-licensed to the PRC distributors. In addition, no film rights in respect of hotel and intranet were sub-licensed to Gainful Fortune in 2005, while the Group delivered 24 films to Gainful Fortune in 2004. As the drop in license fees has stabilized since the first half of 2005 and the quality of the Group's films sub-licensed was improved in 2005, the Group recorded an 11% increase in the average film exhibition income per new film and a 59% increase in the average sub-licensing income per film compared to the previous year.

At 31 December 2005, the Group had HK\$1,127,000 worth of signed distribution agreements in its order books.

業務回顧

截至二零零五年十二月三十一日止年度，發行電影之營業額由去年之27,285,000港元減少至9,382,000港元，減幅為66%。出現減少之原因為發行電影數目減少及每部新電影之平均發行收入下降。年內，本集團發行五部影視製式之新電影，而去年則有10部新電影。香港電影受歡迎程度下降及盜版猖獗均令本集團電影之價格受壓。年內，本集團每部新電影之平均發行收入比較去年錄得18%減幅。於截至二零零五年十二月三十一日止年度內，本集團並無於中國出售其舊電影之任何影視權，而去年本集團則向中國發行商出售32部舊電影。由於中國盜版情況繼續惡化，故本集團決定於二零零四年底終止透過家樂福之27間店舖銷售其影視產品。因此，本集團已於二零零五年第一季終止與天津市星匯音像制品銷售有限公司（「天津星匯」）之轉授發行權安排。

截至二零零五年十二月三十一日止年度，轉授電影發行權之營業額為10,534,000港元，較去年之16,319,000港元減少35%。減少主要與放映及轉授發行權電影數目減少有關。年內，五部（二零零四年：七部）新電影於中國影院上映，而有關31部（二零零四年：52部）電影之免費電視發行權則轉授予中國發行商。此外，於二零零五年並無向Gainful Fortune轉授有關酒店及內聯網之電影發行權，而本集團於二零零四年則向Gainful Fortune提供24部電影。由於特許費用已自二零零五年第一季起穩定下來及本集團轉授發行權之電影質素於二零零五年有所改善，故本集團錄得每部新電影之平均放映收入較去年增加11%，而每部電影之平均轉授發行權收入則較去年增加59%。

於二零零五年十二月三十一日，本集團之訂單賬冊之已簽訂發行協議值1,127,000港元。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

In view of the strong growth on advertising spending in the PRC, the Group ventured into television advertising business by acquiring 40% interest in Rainbow Choice in March 2004. Rainbow Choice distributed its entertainment news programmes on a barter basis, through which television stations offered advertising spots to Rainbow Choice in exchange for the programmes. Due to a flood of similar programmes in the market, Rainbow Choice failed to build up a strong television networks and obtain advertising spots at prime time within the first six months of its operations. As a result, the management team of Rainbow Choice decided to cease its business in the first quarter of 2005.

On 5 February 2002, the Group entered into a territory supply agreement with China Star International Distribution Limited (“CSIDL”), a wholly-owned subsidiary of China Star, whereby CSIDL granted in favour of the Group a first right of refusal to acquire the exclusive distribution rights (excluding the theatrical and internet rights) in the PRC (except Hong Kong, Macau and Taiwan) and Mongolia in respect of China Star Group’s films for a period of three years from 8 April 2002 and an option to acquire the theatrical rights of such films. In view of the decline in popularity of Hong Kong films, the Group decided not to renew the territory supply agreement with CSIDL upon its expiry in April 2005. The Group believes that the non-renewal of the territory supply agreement provides it with a greater flexibility in acquiring film rights for distribution.

EXPAND INTO NEW BUSINESS

On 17 February 2006, the Group entered into a conditional sale and purchase agreement with Northbay Investments Holdings Limited (“Northbay”), pursuant to which the Group would acquire (i) 100% of the issued share capital of Shinhan-Golden Faith International Development Limited (“Shinhan-Golden”) and (ii) the debts owed by Shinhan-Golden to Northbay, at an aggregate consideration of HK\$266,064,350 (the “Acquisition”). The consideration shall be satisfied by the allotment and issue of 1,330,321,745 shares at HK\$0.20 per share. Shinhan-Golden is an investment holding vehicle and its major asset is the 96.7% equity interest in Beijing Jiang Guo Real Estate Development Co. Ltd. (the “JV Co.”). JV Co. is the registered and beneficial owner of a property (the “Property”) located at Inner Jianguo Gate of Dongcheng District, Beijing, the PRC (currently known as No. 9, Gongyuan Xijie, Dongcheng District, Beijing, the PRC). The Property is currently under renovation and being transformed from an apartment complex into serviced apartments. The renovation project is expected to be completed in October 2006. Subject to the fulfillment of the conditions set out under the agreement, the Acquisition is expected to be completed in June 2006.

鑑於中國之廣告消費出現強勁增長，本集團於二零零四年三月透過收購 Rainbow Choice 之 40% 權益涉足電視廣告業務。Rainbow Choice 按以物易物之方式發行其娛樂新聞節目，透過電視台向 Rainbow Choice 提供廣告點以換取節目。由於市場上類似節目氾濫，Rainbow Choice 未能於其經營之首六個月內建立強大之電視網絡並取得黃金時段之廣告點。因此，Rainbow Choice 之管理隊伍決定於二零零五年第一季暫停業務。

於二零零二年二月五日，本集團與中國星之全資附屬公司 China Star International Distribution Limited (「CSIDL」) 訂立地區協議，據此，CSIDL 授予本集團優先權，以於二零零二年四月八日起計三年期間內取得中國星集團之電影於中國（香港、澳門及台灣除外）及蒙古之獨家發行權（不包括影院及互聯網放映權）及選擇購買放映權。鑑於香港電影受歡迎程度下降，本集團決定於與 CSIDL 訂立之地區協議於二零零五年四月屆滿後不再續訂該協議。本集團相信不續訂地區協議將在取得電影發行權方面為其提供更大彈性。

開拓新業務

於二零零六年二月十七日，本集團與 Northbay Investments Holdings Limited (「Northbay」) 訂立有條件買賣協議，據此，本集團將按總代價 266,064,350 港元收購 (i) Shinhan-Golden Faith International Development Limited (「Shinhan-Golden」) 之全部已發行股本；及 (ii) Shinhan-Golden 結欠 Northbay 之債務（「收購事項」）。代價將以按每股 0.20 港元配發及發行 1,330,321,745 股股份支付。Shinhan-Golden 為投資控股公司，其主要資產為北京建國房地產開發有限公司（「合資公司」）之 96.7% 股本權益。合資公司為位於中國北京市東城區建國門內（現稱為中國北京市東城區貢院西街 9 號）之物業（「該物業」）之註冊及實益擁有人。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完成翻新項目。待協議所載之條件獲達成後，收購事項預期將於二零零六年六月完成。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

On 31 March 2006, the Company announced that it would not complete the conditional agreement with Leadfirst Limited (“Leadfirst”) and Mr. Benny Ki, pursuant to which the Group would acquire 100% of the issued share capital of Best Winning Group Limited (“Best Winning”) for a consideration of HK\$600,000,000. During the due diligence exercise conducted by the Company, the Company had raised concern over the appointment of Leadfirst as the sole and exclusive service provider for the promotion and introduction of customers to Asia Star and the provision of rolling and settlement services for customers of the gaming establishment on board Asia Star may be terminated in the event of a change the ownership of Asia Star, thereby affecting the sub-marketing between Leadfirst and Best Winning. As the directors are unable to satisfy themselves as to the business and legal structure pertaining the contractual arrangements among the vessel owner of Asia Star, casino operator, Leadfirst and Best Winning by the longstop date. It was in the best interest of the Company and its shareholders that the Company does not proceed to complete the conditional agreement.

FUTURE PROSPECTS

Sale negotiations with the PRC distributors show the drop in license fees for Hong Kong films has been stabilized. The directors anticipate that it takes some time for the market to recover as piracy remains rampant. As piracy and copyright infringements affect the film industries in both Hong Kong and the PRC, the PRC distributors are working together with the film industry practitioners to give pressure on the PRC Central Government to combat piracy and copyright infringements. Recent meetings with the PRC distributors reveal that the PRC Central Government plans to step up the enforcement of intellectual property laws in 2006. In addition, a PRC video distributor has conducted an extensive research on Internet users in the PRC. The research shows that the youth of the PRC have spent quite a lot of time on Internet for entertainment and distributing movies through Internet may be an effective mean to capture this segment. In response to the research findings, the PRC distributor is planning to set up an Internet movies station.

Despite the above encouraging messages, the Group will continue to cautiously monitor the business environment and strengthen its business foundations by implementing prudent cost control and adopting a more cautious approach in acquiring film rights.

於二零零六年三月三十一日，本公司公佈其不會完成與Leadfirst Limited（「Leadfirst」）及紀明寶先生訂立之有條件協議，據此，本集團將按代價600,000,000港元收購Best Winning Group Limited（「Best Winning」）之全部已發行股本。根據本公司進行之盡職審查，本公司就亞洲之星之所有權出現變動，從而影響Leadfirst與Best Winning之市場推廣分包中委任Leadfirst作為唯一及獨家服務提供者，負責為亞洲之星進行推廣及招攬客戶以及向亞洲之星船上娛樂設施之客戶提供轉碼及結算服務可能被終止表示關注。於亞洲之星郵輪之所有者、娛樂場營辦商、Leadfirst及Best Winning之合約安排上之最後日期，董事不能就其商業及法律架構表示信納。基於本公司及其股東之最佳利益，本公司不會完成有條件協議。

未來前景

與中國分銷商進行之銷售磋商，顯示香港電影之特許費用已穩定下來。由於盜版仍然猖獗，故董事預計市場復甦需要一段時間。由於盜版及侵權影響香港及中國兩地之電影業，中國分銷商與電影從業員攜手向中國中央政府施壓，以打擊盜版及侵權。本公司近期接洽中國發行商，發現中國中央政府計劃於二零零六年加強執行知識產權法。此外，中國影視發行商已向中國互聯網用戶進行廣泛研究。研究顯示中國年青人瀏覽互聯網之時間頗多，而透過互聯網發行電影可能是涉獵此分部之有效途徑。因應研究結果，中國發行商計劃建立互聯網電影站。

儘管上述消息令人鼓舞，惟本集團將繼續密切注視業務環境，並透過嚴格控制成本及在購入電影發行權方面採取更審慎方針，不斷加強業務基礎。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

Upon the completion of the Acquisition, whilst the Group will continue to carry out its existing business, the Group will also carry out the property investment business. In view of the growing demand for high-end serviced apartments resulting from Beijing's successful bid for the 2008 Olympic Games and the PRC's accession to the World Trade Organisation, the Group currently intends to hold the Property as a long-term investment for rental purposes. The directors believes that the Acquisition will enable the Group to diversify its businesses and provide it with a stable revenue stream, which would have a positive impact on the Group's profitability.

於收購事項完成後，儘管本集團將繼續從事其現有業務，惟本集團亦會從事物業投資業務。鑑於對高尚服務式住宅之需求因北京成功申辦二零零八年奧運及中國加入世界貿易組織而日益殷切，本集團現擬持有該物業作為租賃用途之長期投資。董事相信，收購事項將讓本集團可將其業務多元化及為其提供穩定收益來源，對本集團之盈利能力帶來正面影響。