

# EEG

EMPEROR ENTERTAINMENT GROUP LIMITED

英皇娛樂集團有限公司

(Incorporated in Bermuda with limited liability)

## Half-Yearly Report 2001



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*This report, for which the directors of Emperor Entertainment Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three months (“Quarterly Period”) and six months (“Half-yearly Period”) ended 30th September, 2001, the Company and its subsidiaries (collectively referred to as the “Group”) recorded a loss of approximately HK\$8.55 million and HK\$10.34 million respectively, compared to a loss of approximately HK\$1.58 million and HK\$3.08 million respectively for the last corresponding period. For the Half-yearly Period, the turnover of the Group increased by 6.5% to approximately HK\$54.08 million as compared with HK\$50.78 million for the previous corresponding period.

### **CORPORATE EXERCISES**

In June 2001, the Group raised a net amount of approximately HK\$19.04 million by way of top-up placement of 20,000,000 shares in the capital of the Company to independent investors at a price of HK\$0.98 per share (“Top-up Placement”). The Top-up Placement strengthened the cash position of the Group and allowed the Group greater flexibility to expand its core business.

To diversify its business in the entertainment industry, the Group acquired from Questrel Holdings Limited (“Questrel”), its substantial and controlling shareholder, the entire interest in Emperor Movie Holdings Limited (“EMG”) and the outstanding loan due to Questrel from EMG at a consideration of approximately HK\$52.78 million (“Acquisition”) in August 2001. EMG and its subsidiaries (collectively referred to as the “EMG Group”) are principally engaged in movie and television programs production and distribution, the production of multimedia entertainment products and artiste management. The artistes currently managed by the EMG Group would add to and strengthen the artistes roster of the Group.

### **OPERATION REVIEW**

#### **Music Production and Distribution**

Turnover of the sales of albums and the licensing of music videos, songs and catalogues for the Half-yearly Period amounted to approximately HK\$32.21 million, representing a decrease of about 14.6% from that of the last corresponding period due to the unfavourable economic climate in Hong Kong. To suit different customer segments, the Group has entered into a licence agreement with an international record company for licensing of record during the Half-yearly Period.

During the Half-yearly Period, the Taiwan branch office was closed down as part of the cost rationalisation program of the Group. As most of the Group’s artistes had already signed contracts with Taiwan’s prestigious record companies for the distribution and promotion of their records in Taiwan, the management believed that the closure of the Taiwan office would not have an adverse impact on the Group’s development in the Taiwan market. The principal office of the Group in Hong Kong would continue to work closely with the Taiwan local record companies to formulate and implement the Group’s business plan in Taiwan.

## **Film and Television Programs Production and Distribution**

The Acquisition diversified the Group's business and generated another main income stream. Turnover of film and television programs production and distribution contributed approximately HK\$8.46 million to the Group during the Half-yearly Period. Since the Acquisition, the EMG Group had released one film and one television program, and another six films and one television program were in various production stages as at 30th September, 2001.

## **Artiste Management**

During the Half-yearly Period, the artiste management fee income of the Group slightly decreased by 5.1% to approximately HK\$8.52 million.

As at the end of the Half-yearly Period, there were 30 artistes under the Group (including eight contracted artistes from the EMG Group) as compared to 16 artistes as at the end of the last corresponding period. To sustain its competitive edge, the Group would continue sourcing quality artistes.

## **Event Production**

There were three concerts organized by the Group during the Half-yearly Period with one being self-organized and two being co-organized with other parties. Turnover from this business sector amounted to approximately HK\$4.90 million and a loss of about HK\$0.64 million was recorded.

Two more self-organized concerts were organized in the third quarter of the financial year ended 31st March, 2002 and the management believed that they would bring positive contribution to the Group.

## **FINANCIAL RESOURCES**

In view of the expansion of the Group's business, the usage of net proceeds raised from the initial public offering of approximately HK\$88.0 million ("IPO Proceeds") was modified as stated in the circular dated 20th July, 2001 (the "Circular"). Up to 30th September, 2001, the Group had fully utilised the IPO Proceeds in accordance with the revised use of proceeds, which are HK\$12.0 million for development of music production and distribution business, HK\$4.0 million for development of event production business, HK\$33.0 million for the Acquisition and HK\$39.0 million for general working capital of the Group. The general working capital was mainly applied for development of film and television programs production and distribution business of the EMG Group.

As at 30th September, 2001, the unsecured loan from Questrel was HK\$52.5 million. On 4th December, 2000, Questrel had undertaken to the Company that it would not request the Group to repay the unsecured loan of HK\$26.5 million for a period of 12 months from 19th December, 2000, the date on which the shares of the Company were listed on the GEM of the Stock Exchange and Questrel further agreed to waive any interest on such amount during the same period. The balance of HK\$26.0 million is interest bearing at Hong Kong prime rate and has no fixed repayment term. Together with the cash flow generated by the operation of the Group in its ordinary course of business and its existing loan facilities, the Board of Directors (“the Board” or “the Directors”) expects that the Group will have sufficient working capital for its operation.

## **PROSPECTS**

The Group expected that the Acquisition would stimulate and create a synergy effect to the business of the Group, enabling the Group to establish a comprehensive multimedia entertainment platform comprising music production, movie and television programs production and distribution, artiste management, events production and production of multimedia entertainment products.

In spite of the current abhorrent economic climate, the management believed that with its strong artiste roster and expertise in the industry, the Group would be able to continue to expand its business and consolidate its position in the entertainment industry.

## **COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS**

**Business Objectives up to 30th September, 2001 as stated in the prospectus dated 8th December, 2000 (the “Prospectus”) and the Circular**

**Actual business progress up to 30th September, 2001**

### **1. Strategic development/overseas expansion**

- (i) Recruit not less than two additional staff for the music production and distribution function and the artiste management function and the finance and administration function.

In view of the current market condition, the Group tightened cost control over local operation and slowed down overseas expansion and therefore, only one additional staff was recruited for the artiste management function during the Half-yearly Period.

(ii) Expand the function of its Taiwan office to include artiste management function; to establish the communication network with the local media operators, advertising agencies, film producers and music producers; to promote its own artistes in Taiwan; and to recruit a local artiste management team for expansion of the Group's business in Taiwan.

The Taiwan branch office was closed since June 2001 for better resources allocation and cost rationalisation. By working closely with the Group's business associates, the management believed that the closure of Taiwan office would not materially affect the Group's development and implementation of its business plan in Taiwan.

(iii) Commence preparation of establishing the Group's liaison office in Shanghai, the People's Republic of China.

As the impact of China's entry into World Trade Organisation is yet to be observed, plan of establishing a Shanghai branch is put on hold until 2002 when the management would further consider if it is appropriate to set up a liaison office and if so, whether Shanghai is an appropriate location for the liaison office.

## **2. Music production and distribution**

(i) Release not less than 15 albums for the Group's own artistes in Hong Kong.

Release of 29 albums for the Group's own artistes in Hong Kong.

(ii) Enter into licence agreement with not less than one international record company.

The Group has entered into a licence agreement with an international record company for licensing of record during the Half-yearly Period.

## **3. Artiste management in respect of music entertainment business**

(i) Recruit not less than two new artistes in Hong Kong.

The Group has signed up a green but talented artiste during the Half-yearly Period, with one more artiste being recruited shortly after the period under review.

(ii) Nicholas Tse to perform in concert to be held in April 2001 in Sydney, Australia organised by an independent third party.

Nicholas Tse performed in a concert organised by an independent third party in Sydney, Australia in April 2001.

#### **4. Event production**

(i) Organise the Dave Wang in Concert 2001 at Hong Kong Coliseum Arena in April 2001.

Dave Wang in Concert 2001 was held in April 2001.

(ii) Solely or jointly organise not less than three concerts in Hong Kong.

Apart from Dave Wang in Concert 2001, which was self-organised, the Group had co-organised two concerts with other parties in Hong Kong during the Half-yearly Period. In view of the current adverse economic climate, the Group has scrapped the project for the third concert.

#### **5. Film and television programs production and distribution in Hong Kong and overseas markets**

The Group has released one film and one television series during the Half-yearly Period. Six other films are in different production stages and one television program in final stage of production as at 30th September, 2001. The Group has also entered into various distribution agreements with third parties.

#### **6. Multimedia entertainment products production**

The production of various multimedia entertainment products are in feasibility study stage.

#### **7. Artiste management in respect of movie entertainment business**

The Group would also manage the existing eight contracted artistes of the EMG Group.

## RESULTS

The Board is pleased to announce the unaudited consolidated results of the Group for the Quarterly Period and the Half-yearly Period together with the comparative unaudited figures for the corresponding period in 2000 as follows:

	Notes	Three months ended 30th September,		Six months ended 30th September,	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	2	24,108	28,854	54,084	50,783
Other revenue		989	1,185	2,946	1,667
Cost of music production and distribution		(11,570)	(17,920)	(28,430)	(33,037)
Cost of film and television programs production and distribution		(7,921)	—	(7,921)	—
Cost of self-organised events		—	(3,226)	(5,539)	(3,226)
Distribution costs		(2,799)	(1,816)	(3,948)	(3,352)
Administrative expenses		(11,050)	(8,579)	(21,215)	(15,604)
		<hr/>	<hr/>	<hr/>	<hr/>
Loss from operations		(8,243)	(1,502)	(10,023)	(2,769)
Finance costs		(402)	(7)	(415)	(17)
Share of results of associates		—	(75)	—	(296)
		<hr/>	<hr/>	<hr/>	<hr/>
Loss before taxation		(8,645)	(1,584)	(10,438)	(3,082)
Taxation	3	—	—	—	—
		<hr/>	<hr/>	<hr/>	<hr/>
Loss before minority interest		(8,645)	(1,584)	(10,438)	(3,082)
Minority interest		99	—	99	—
		<hr/>	<hr/>	<hr/>	<hr/>
Loss attributable to shareholders		<u>(8,546)</u>	<u>(1,584)</u>	<u>(10,339)</u>	<u>(3,082)</u>
		<hr/>	<hr/>	<hr/>	<hr/>
Loss per share – basic	4	<u>(3.31) cents</u>	<u>(1.14) cents</u>	<u>(4.15) cents</u>	<u>(2.21) cents</u>



## 1. Group reorganisation and basis of preparation of financial statements

The Company was incorporated as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda (as amended) on 17th October, 2000.

Pursuant to a series of group reorganisation steps (the “Group Reorganisation”) to rationalise the structure of the Group in preparation for the listing of the Company’s shares on the GEM of the Stock Exchange, the Company became the holding company of the Group on 30th November, 2000.

The Company’s ultimate holding company is Questrel, a company which was incorporated in the British Virgin Islands.

The Group Reorganisation involved, inter alia, the transfer to the Company by Questrel of the entire issued share capital in Mile Oak Profits Limited, the intermediate holding company of the Group, in consideration for and in exchange for which the Company (a) allotted and issued, credited as fully paid, one share of the Company of HK\$0.01 to Questrel and (b) credited as fully paid at par all the then existing 10,000,000 shares of the Company of HK\$0.01 each allotted and issued as nil-paid to Questrel on 15th November, 2000.

The shares of the Company were listed on the GEM of the Stock Exchange on 19th December, 2000.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared on the merger accounting basis as if the Company had always been the holding company of the Group in accordance with the Statement of Standard Accounting Practice No. 27 “Accounting for group reconstructions” issued by the Hong Kong Society of Accountants.

Details of the Group Reorganisation are set out in the paragraph headed “Group reorganisation” in Appendix V of the Prospectus.

The principal accounting policies adopted in preparing the unaudited consolidated results conform with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants.

## 2. Turnover

	Three months ended 30th September,		Six months ended 30th September,	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000

An analysis of turnover is as follow:

### Music production and distribution

– sale of albums	11,437	16,700	30,440	31,388
– licence income	802	4,889	1,767	6,323
	<u>12,239</u>	<u>21,589</u>	<u>32,207</u>	<u>37,711</u>

### Film and television programs production and distribution

	<u>8,458</u>	<u>—</u>	<u>8,458</u>	<u>—</u>
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### Artiste management fee income

	<u>3,271</u>	<u>3,161</u>	<u>8,515</u>	<u>8,968</u>
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### Event production

– gross revenue from self-organised events	—	4,104	4,720	4,104
– share of net income from jointly organised events	140	—	184	—
	<u>140</u>	<u>4,104</u>	<u>4,904</u>	<u>4,104</u>
	<u>24,108</u>	<u>28,854</u>	<u>54,084</u>	<u>50,783</u>

## 3. Taxation

No provision for Hong Kong Profits Tax was made as the Group had no assessable profits during the Half-yearly Period and the corresponding period in 2000.

The Group is not subject to taxation in any other jurisdiction in which it operates.

The Group had no share of taxation in the associates during the Half-yearly Period and the corresponding period in 2000.

The Group did not have any significant deferred taxation in respect of the Half-yearly Period and the corresponding period in 2000.

#### 4. Loss per share

The calculation of basic loss per share for the Quarterly Period and the Half-yearly Period is based on the unaudited consolidated loss attributable to shareholders of approximately HK\$8,546,000 and HK\$10,339,000 respectively (*the corresponding period in 2000: loss of approximately HK\$1,584,000 and HK\$3,082,000 respectively*) and on weighted average number of 257,826,087 and 248,961,749 ordinary shares (*2000: 139,370,371 and 139,370,371 ordinary shares*) outstanding.

No amount for diluted loss per share is disclosed for the Quarterly Period as the Company has no dilutive potential ordinary shares for the period.

No amount for diluted loss per share has been presented for the Half-yearly Period as it is assumed that no share options are exercised as their exercise prices are higher than the average market price of the Company's shares during the period.

No amount for diluted loss per share was disclosed for the corresponding period in 2000 as the Company had no dilutive potential ordinary shares for the period.

#### 5. Movement of reserves

Analyses of the movement of reserves are shown as follow:

##### (a) Accumulated losses

	Three months ended 30th September,		Six months ended 30th September,	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at the beginning of the period	(142,159)	(150,552)	(140,366)	(149,054)
Loss for the period	<u>(8,546)</u>	<u>(1,584)</u>	<u>(10,339)</u>	<u>(3,082)</u>
Balance at the end of the period	<u><u>(150,705)</u></u>	<u><u>(152,136)</u></u>	<u><u>(150,705)</u></u>	<u><u>(152,136)</u></u>

**(b) Other reserves**

	Share premium HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Total HK\$'000
<b>Balance at 1st April, 2000</b>	—	—	—	—
Waiver of advances from Questrel as part of the Group Reorganisation	—	—	75,000	75,000
<b>Balance at 30th June, 2000 and 30th September, 2000</b>	—	—	75,000	75,000
Surplus arising on the Group Reorganisation	—	91,163	—	91,163
Capitalisation of reserve on paying up nil-paid shares	—	(100)	—	(100)
Premium arising on issue of new shares	102,720	—	—	102,720
Capitalisation issue	(1,294)	—	—	(1,294)
Expenses incurred in connection with the issue of new shares	(14,649)	—	—	(14,649)
<b>Balance at 31st March, 2001 and 30th June, 2001</b>	86,777	91,063	75,000	252,840
Premium arising on issue of new shares	19,400	—	—	19,400
Expenses incurred in connection with the issue of new shares	(563)	—	—	(563)
<b>Balance at 30th September, 2001</b>	<u>105,614</u>	<u>91,063</u>	<u>75,000</u>	<u>271,677</u>

**INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the Half-yearly Period (2000: Nil).

## DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SECURITIES

As at 30th September, 2001, the interests of the Directors and chief executives of the Company and their respective associates in the shares of the Company and its associated corporations as recorded in the register required to be maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

### The Company

Name of Director	Personal Interest	Family Interest	Corporate Interest	Other Interest	Total
Luk Siu Man, Semon ("Ms. Semon Luk")	Nil	184,752,000 (Note)	Nil	Nil	184,752,000
Cheng Yiu Keung	200,000	Nil	Nil	Nil	200,000

*Note: Questrel and Surplus Way Profits Limited ("Surplus Way") are the respective owners of 144,000,000 shares and 40,752,000 shares. They are companies controlled by Mr. Yeung Sau Shing, Albert ("Mr. Albert Yeung"), spouse of Ms. Semon Luk. Accordingly, Ms. Semon Luk was deemed to be interested in the 184,752,000 shares held by Questrel and Surplus Way.*

### Associated Corporation

Name of Associated Corporation	Nature of Interest	Type and number of securities
Emperor International Holdings Limited <sup>(1)</sup>	Personal and Family	573,502,770 ordinary shares of HK\$1.00 each
Global Food Culture Group Limited <sup>(2)</sup>	Family	676,564,500 ordinary shares of HK\$0.10 each

Notes:

(1) Ms. Semon Luk is the owner of 660,473 shares. The remaining 572,842,297 shares are registered in the name of and beneficially owned by Charron Holdings Limited, a wholly owned subsidiary of Questrel. Accordingly, Ms. Semon Luk was deemed to be interested in 573,502,770 shares in Emperor International Holdings Limited.

(2) These shares are registered in the name of and beneficially owned by, Forever Rich Profits Limited, an indirect wholly owned subsidiary of Questrel. Accordingly, Ms. Semon Luk was deemed to be interested in the 676,564,500 shares in Global Food Culture Group Limited.

Save as disclosed above, as at 30th September, 2001, none of the Directors or chief executives or their respective associates of the Company has any interest in the equity or debt securities of the Company or its associated corporations (as defined in the SDI Ordinance) as recorded in the register required to be maintained under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the GEM of the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.40 of the GEM Listing Rules.

## **DIRECTORS' RIGHT TO ACQUIRE SHARES**

Pursuant to the Pre-IPO Share Option Scheme adopted by the Company on 30th November, 2000, Mr. Frankie Lee, the former Chief Executive Officer of the Company was granted option to subscribe for 9,259,259 shares of the Company at a subscription price of HK\$1.08 per share (subject to adjustment). The option lapsed upon the resignation of Mr. Frankie Lee with effect from 30th June, 2001.

The Company adopted a Share Option Scheme (the "Scheme") on 30th November, 2000 under which the Company may grant options to full-time employees, including Directors of the Company or its subsidiaries, to subscribe for shares in the Company. The subscription price for shares will be a price determined by the Directors, but may not be less than the higher of the closing price of shares on the GEM of the Stock Exchange on the date of grant of the option, the average of the closing price of shares on the GEM of the Stock Exchange for the five trading days immediately preceding the date of grant of the option or the nominal value of the shares.

The maximum number of shares in respect of which options may be granted under the Scheme may not (when aggregated with shares subject to any other share option schemes, including the Pre-IPO Share Option Scheme) exceed in nominal amount 30% of the issued share capital of the Company from time to time. An option may be exercised at any time during a period to be determined and notified by the Directors to each grantee, which period may not expire earlier than 3 years and later than 10 years from the date of grant of the option subject to the provisions for early termination.

The Company had not granted any option under the Scheme since the adoption of the Scheme.

Save as disclosed above, as at 30th September, 2001, the Company had not granted any right to subscribe for equity or debt securities of the Company to any director or chief executive director of the Company or to their spouse or children under 18 years of age.

## SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2001, according to the register of substantial shareholders required to be maintained under S16(1) of the SDI Ordinance, the Company had been notified of the following interests, being 10% or more in the issued share capital of the Company:

Name	Number of Shares	Percentage Holding
Surplus Way	40,752,000	15.67%
Questrel	144,000,000	55.38%
Mr. Albert Yeung <sup>(1)</sup>	184,752,000	71.05%
Ms. Semon Luk <sup>(2)</sup>	184,752,000	71.05%

### Notes:

- (1) Questrel and Surplus Way are the respective owners of 144,000,000 shares and 40,752,000 shares. They are companies controlled by Mr. Albert Yeung. Accordingly, Mr. Albert Yeung was deemed to be interested in the 184,752,000 shares held by Questrel and Surplus Way.
- (2) Questrel and Surplus Way are the respective owners of 144,000,000 shares and 40,752,000 shares. They are companies controlled by Mr. Albert Yeung, spouse of Ms. Semon Luk. By virtue of the above interest of Mr. Albert Yeung, Ms. Semon Luk was also deemed to be interested in the above 184,752,000 shares held by Questrel and Surplus Way.

## MANAGEMENT SHAREHOLDERS

So far as the Directors are aware, as at 30th September, 2001, the following persons were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings the Company and who are able, as a practical matter, to direct or influence the management of the Company:

Name	Number of Shares Held	Approximate Percentage of Shareholding
Surplus Way	40,752,000	15.67%
Questrel	144,000,000	55.38%
Mr. Albert Yeung <sup>(1)</sup>	184,752,000	71.05%
Ms. Semon Luk <sup>(2)</sup>	184,752,000	71.05%

### Notes:

- (1) Questrel and Surplus Way are the respective owners of 144,000,000 shares and 40,752,000 shares. They are companies controlled by Mr. Albert Yeung. Accordingly, Mr. Albert Yeung was deemed to be interested in the 184,752,000 shares held by Questrel and Surplus Way.

(2) Questrel and Surplus Way are the respective owners of 144,000,000 shares and 40,752,000 shares. They are companies controlled by Mr. Albert Yeung, spouse of Ms. Semon Luk. By virtue of the above interest of Mr. Albert Yeung, Ms. Semon Luk was also deemed to be interested in the above 184,752,000 shares held by Questrel and Surplus Way.

## **SPONSORS' INTERESTS**

As updated and notified by the Company's sponsors, BNP Paribas Peregrine Capital Limited (the "Sponsor"), as at 30th September, 2001 neither of the Sponsor nor any of their respective directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the Company's share capital.

Pursuant to the agreement dated 7th December, 2000 entered into between the Company and the Sponsor, the Sponsor will receive a fee for acting as the Company's retained sponsor for the period from 7th December, 2000 to 31st March, 2003.

## **COMPETING INTERESTS**

Dr. Chan Kong Sang, Jackie ("Dr. Jackie Chan"), a non-executive director of both the Company and EMG, is also a director and shareholder of Climbing High Productions Limited, Jackie & Willie Productions Limited, Jackie & Willie Enterprises Limited and Filmtech Lighting Services Limited and he is a director of Tai Wui Motion Pictures Company Limited (together referred as "the Movies Companies") which business involve production and distribution of movies. Dr. Jackie Chan is also an executive director of Star East Holdings Limited ("Star East") and a non-executive director of STAREASTnet.com Corporation ("STAREASTnet.com"). Star East is a listed company engaged in a variety of business including the production of movies, television drama series and documentary programmes, distribution and licensing, entertainment complexes and theme cafes franchising, provision of media agency and promotion services and property investment. It has also further expanded its business to music production and distribution, artiste management and event production. STAREASTnet.com is an internet media company engaged in the provision of multimedia entertainment and life style information. It produces and distributes original interactive programme through its network of vertically integrated entertainment portals. Accordingly, the business of Star East, STAREASTnet.com and the Movies Companies may constitute competition with the business of the Group. The Directors consider that Dr. Jackie Chan is a non-executive director of the Company and EMG and will not exert management control over the Group.

Save as disclosed above, the Directors believe that none of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which cause or may cause significant competition with the business of the Group.



## **AUDIT COMMITTEE**

The Company established an audit committee on 30th November, 2000 with written terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The audit committee has two members comprising the two independent non-executive directors, namely, Mr. Wong Ching Yue and Mr. Tso Hon Sai, Bosco.

## **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

The shares of the Company only commenced trading on GEM on 19th December, 2000. Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period ended 30th September, 2001.

By Order of the Board  
**Luk Siu Man, Semon**  
*Chairperson*

Hong Kong, 13th November, 2001