



EEG

EMPEROR ENTERTAINMENT GROUP LIMITED  
英皇娛樂集團有限公司  
(Incorporated in Bermuda with limited liability)  
(於百慕達註冊成立之有限公司)

Annual Report 年報 2002

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks rising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

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# Corporate Information

## Directors

Luk Siu Man, Semon (*Chairperson*)\*

Ng Sui Wan alias Ng Yu  
(*Chief Executive Officer*)

Wong Chi Fai

Fan Man Seung, Vanessa

Cheng Yiu Keung

Chan Kong Sang, Jackie\*

So Shu Fai\*

Wong Ching Yue\*\*

Tso Hon Sai, Bosco\*\*

\* *Non-executive Directors*

\*\* *Independent Non-executive Directors*

## Company Secretary

Mok Fung Lin, Ivy

## Compliance Officer

Wong Chi Fai, FCCA, AHKSA

## Qualified Accountant

Lau Wei Fan, CPA (Aust), AHKSA

## Authorised Representatives

Fan Man Seung, Vanessa

Mok Fung Lin, Ivy

## Audit Committee

Wong Ching Yue

Tso Hon Sai, Bosco

## Sponsor

BNP Paribas Peregrine Capital Limited

## Legal Advisers

*As to Hong Kong Law:*

Fairbairn Cately Low & Kong

*As to Bermuda Law:*

Conyers Dill & Pearman

## Bankers

The Hongkong and Shanghai Banking  
Corporation Limited

Dexia Banque Internationale à  
Luxembourg SA

Allied Irish Banks plc

## Auditors

Deloitte Touche Tohmatsu

## Registered Office

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

## Principal Office

28th Floor

Emperor Group Centre

288 Hennessy Road

Wanchai

Hong Kong

## Registrars (*in Bermuda*)

Butterfield Corporate Services Limited

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

## Registrars (*in Hong Kong*)

Secretaries Limited

5th Floor

Wing On Centre

111 Connaught Road Central

Hong Kong

## Website

[http:// www.eegmusic.com](http://www.eegmusic.com)

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of Emperor Entertainment Group Limited (the “Company”) will be held at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on 8th August, 2002 at 11:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st March, 2002.
2. To re-elect retiring directors and to fix directors’ remuneration.
3. To re-appoint auditors and to authorise the board of directors to fix their remuneration.
4. As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

(A) “THAT

- (i) subject to sub-paragraph (ii) of this resolution, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot and issue additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers either during or after the Relevant Period, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in sub-paragraph (i) of this resolution, otherwise than pursuant to a Rights Issue or the exercise of subscription or conversion rights under any warrants of the Company or any securities which are convertible into shares of the Company or any share option scheme, shall not exceed twenty per cent. of the nominal amount of the issued share capital of the Company on the date of this resolution and this approval shall be limited accordingly; and

# Notice of Annual General Meeting

(iii) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and
- (c) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the directors to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong),”

(B) “THAT

- (i) subject to sub-paragraph (ii) of this resolution, the exercise by the directors during the Relevant Period of all the powers of the Company to repurchase issued shares in the capital of the Company, subject to and in accordance with all applicable laws and the Bye-laws of the Company, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of the share capital which the Company is authorised to repurchase pursuant to the approval in sub-paragraph (i) of this resolution shall not exceed ten per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of this resolution and the said approval shall be limited accordingly; and

# Notice of Annual General Meeting

(iii) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
  - (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and
  - (c) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution in general meeting.”
- (C) “THAT conditional upon resolution no. 4(B) above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors as mentioned in resolution no. 4(B) above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to resolution no. 4(A) above.”

By Order of the Board  
**Mok Fung Lin, Ivy**  
*Company Secretary*

Hong Kong, 28th June, 2002

*Registered Office:*  
Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

*Principal Office:*  
28th Floor  
Emperor Group Centre  
288 Hennessy Road  
Wanchai  
Hong Kong

# Notice of Annual General Meeting

*Notes:*

- (i) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies (if a member who is the holder of two or more shares) to attend and vote in his stead. A proxy need not be a member of the Company.
- (ii) In order to be valid, the form of proxy must be deposited at the principal office of the Company at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney, not less than 48 hours before the time for holding the meeting or adjourned meeting.
- (iii) Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting if the member so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.



## Biographies of Directors and Senior Executives

### **Luk Siu Man, Semon** *Chairperson*

Aged 46, graduated from the University of Toronto with a bachelor degree in Commerce. She worked in the banking industry for almost 10 years. She is also the Chairperson of Emperor International Holdings Limited and Emperor (China Concept) Investments Limited, the shares both of which are listed on the Main Board of the Stock Exchange. She joined the Group in November 2000.

### **Ng Sui Wan alias Ng Yu** *Executive Director and Chief Executive Officer*

Aged 52, joins the Group in December 2001. He is responsible for the corporate and business strategies, and operations of the Group. Prior to this date, he worked for Celestial Pictures Limited, an associated company of Television Broadcasts Limited “TVB”, as the General Manager, in charge of motion film production. In 1996, he worked for Capital Artists Limited for 4 years holding the position as the General Manager. During this period, he has been involved in record production, distribution, publishing and talent management where he has discovered and unfolded the talent of Eason Chan, Miriam Yeung and Edmond Leung. Before, he was the Production Controller of TVB for 20 years, commanding TV programme production and creative teams.

### **Wong Chi Fai** *Executive Director and Compliance Officer*

Aged 46, is responsible for the overall corporate and business planning of the Group. He has over 20 years’ experience in finance and management spanning a diverse range of businesses from manufacturing to property investment and development. He is an associate of the Hong Kong Society of Accountants and a fellow of the Association of Certified Accountants. He is also the joint managing director of Emperor International Holdings Limited and a director of Emperor (China Concept) Investments Limited, Emperor Technology Venture Limited and Global Food Culture Group Limited, the shares all of which are listed on the Main Board of the Stock Exchange. He first joined the Group in January 1994.

# Biographies of Directors and Senior Executives

**Fan Man Seung, Vanessa** *Executive Director*

Aged 39, is a solicitor qualified in Hong Kong and holds a master degree in Business Administration. She is responsible for the overall corporate and business planning of the Group. She is also the joint managing director of Emperor International Holdings Limited and a director of Emperor (China Concept) Investments Limited, Emperor Technology Venture Limited and Global Food Culture Group Limited, the shares all of which are listed on the Main Board of the Stock Exchange. She first joined the Group in January 1994.

**Cheng Yiu Keung** *Executive Director*

Aged 48, is responsible for the operations of the Group. He also oversees the operation of the records department and artistes management department which includes formulating strategic plan for record releases, participating in the production of the records, organizing concerts and event productions. Prior to joining the Group in May 2000, he worked as the marketing director of Warner Music HK Ltd. from 1980 to 1995 and as the deputy managing director of Go East Entertainment Co. Ltd. from 1995 to early 2000.

**Chan Kong Sang, Jackie, MBE, SBS** *Non-executive Director*

Aged 48, is an international renowned actor and entertainer. He has been awarded fellowship by the Hong Kong Academy for Performing Arts. He was chosen as one of the Ten Outstanding Young Persons of Hong Kong in 1986 and The Outstanding Young Persons of the World by Jaycees International in 1988. In 1992, the Taiwan Government honoured him as one of the Five Most Outstanding Young Chinese in the World. He was made a Member of the Most Excellent Order of the British Empire (MBE) in 1989 and was conferred the Honorary Doctorate of Social Science by the Hong Kong Baptist University in 1996. He was awarded the Silver Bauhinia Star by the Government of Hong Kong Special Administrative Region in 1999. He is the Chairman of Global Food Culture Group Limited and also an executive director of Star East Holdings Limited, the shares both of which are listed on the Main Board of the Stock Exchange and a non-executive director of Sing Pao Media Group Limited, the shares of which are listed on GEM of the Stock Exchange. He joined the Group in November 2000.

# Biographies of Directors and Senior Executives

**So Shu Fai** *Non-executive Director*

Aged 51, is a founding honorary director of The University of Hong Kong Foundation for Educational Development and Research. He is a committee member of the 9th National Committee of the Chinese People's Political Consultative Conference and an associate member of the Institute of Chartered Secretaries and Administrators. He holds a Doctoral degree of Management Studies from the Southern Cross University, Australia and a Bachelor degree of Science from the University of Hong Kong.

**Wong Ching Yue** *Independent Non-executive Director*

Aged 53, is a senior counsel, barrister-at-law, practising in Hong Kong since 1975. He joined the Group in November 2000.

**Tso Hon Sai, Bosco** *Independent Non-executive Director*

Aged 37, is a solicitor practising in Hong Kong since 1990. He is a partner of Bosco Tso & Partners. He graduated from King's College London in the United Kingdom in 1987. He joined the Group in November 2000.

**Mok Fung Lin, Ivy** *Company Secretary*

Aged 37, is a solicitor qualified in Hong Kong and the United Kingdom, and holds a master degree in Business Administration. She is also an executive director of Emperor International Holdings Limited and Emperor (China Concept) Investments Limited, the shares both of which are listed on the Main Board of the Stock Exchange.

**Lau Wei Fan** *Qualified Accountant*

Aged 31, holds a bachelor degree in Accountancy and is a certified practising accountant in Australia and an associate member of the Hong Kong Society of Accountants. She has considerable experience in financial management and has about five years' audit experience with an international accounting firm. She is responsible for overseeing the financial reporting process and internal control procedures of the Group.

# Biographies of Directors and Senior Executives

## **Kan Chin Chin, Lisa**

Aged 33, is the senior general manager of the records department under the MUSICPLUS label and is responsible for overseeing the domestic repertoire of the MUSICPLUS label of the Group. Prior to joining the Group in August 2000, she was the label chief of Warner Music HK Ltd. and the deputy general manager of Universal Music Ltd. She has over 11 years of experience in the area of sales, marketing and promotion of records and singing artistes.

## **Fok Man Hei, Mani**

Aged 29, is a general manager of the artiste management division of the Group and is responsible for overseeing the operations of the artiste management division of the Group and all aspects of the engagement and promotion activities and providing guidance to certain artistes on personal and career developments. She has nine years of experience in the artiste management industry. Prior to joining the Group in 1993, she worked in the modeling and advertising industries. She possesses a detailed knowledge of and has a successful track record in the promotion of new artistes like Joey Yung and Twins in the industry.

## **Pang Suk Ha, Polly**

Aged 41, is a general manager of the artiste management division of the Group and is responsible for overseeing the operations of the artiste management division of the Group and all aspects of the engagement and promotion activities and providing guidance to certain artistes on personal and career developments. She has over 15 years of experience in the artiste management industry. Prior to joining the Group in November 2000, she worked for Warner Music HK Ltd. as controller of the artiste development and public affairs division.

## **Lam Wai Hon**

Aged 34, is the general manager of the records department under the EEG label and is responsible for overseeing the domestic repertoire of the EEG label of the Group. Prior to joining the Group in September 1999, he worked for Warner Music HK Ltd. and EMI Music. He has 13 years of experience in promotion and marketing in the records industry.

# Biographies of Directors and Senior Executives

## **Carl Chang**

Aged 46, is the Chief Executive Officer of Emperor Multimedia Group under the Group and is a veteran media professional in the mass communications field with diversified media experience. Graduating from the University of Hong Kong, he joined the media industry with the Leo Burnett Advertising Agency and Radio Television Hong Kong (TV Production), and by working in the film industry. In 1988, he diversified into the broadcasting industry by joining Hong Kong Commercial Broadcasting Company Limited and was promoted to the General Manager eight years later. In the mid 90s, he was appointed as the Group General Manager of Television Enterprise International, managing a group of companies that include property, publishing, music production and distribution, retailing, advertisement production and travel agency. His remarkable success in the media industry grew when he became the President of Rock Communications in Taiwan. In 1998, he returned to Hong Kong as the Chief Executive Officer of Metro Broadcast Corporation Ltd. In January 2000, he became the Chief Executive Officer of the Global Internet Legend, tom.com.

# Chairperson's Statement

For the financial year ended 31st March, 2002, the Company and its subsidiaries (collectively referred to as the "Group"), recorded a loss attributable to shareholders amounted to approximately HK\$27.4 million as compared with a profit of approximately HK\$8.7 million for the previous year. Turnover of the Group increased by 26.4% to approximately HK\$154.7 million as compared with approximately HK\$122.4 million for the previous year.

## **Dividend**

The Board of Directors of the Company (the "Board") did not recommend the payment of a dividend for the year ended 31st March, 2002.

## **Corporate Exercise**

In June 2001, the Group raised a net amount of approximately HK\$19.0 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 has 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") the entire issued share capital of Emperor Movie Holdings Limited ("EMH") and the outstanding loan due to Questrel from EMH at a consideration of approximately HK\$52.8 million ("Acquisition") in August 2001. EMH and its subsidiaries (collectively referred to as "EMG") are principally engaged in film and television programme production and distribution, the production of multimedia entertainment products and artiste management. The artistes managed by EMG added to and strengthened the artistes roster of the Group.

## **Operation Review**

The Group has established a diversified multimedia entertainment platform consisting of music production and distribution, film and television programme production and distribution, artiste management and event production. Apart from certain business sectors like film and television programme production and distribution which still awaited to operate in full capacity, all other sectors had already achieved the anticipated synergy effect and brought positive contribution to the Group during the year under review.

# Chairperson's Statement

## Music Production and Distribution

Turnover of the sale of albums and the licensing of music videos, songs and catalogues for the financial year ended 31st March, 2002 amounted to approximately HK\$82.6 million, representing a decrease of about 16.4% from that of the previous year due to the sluggish economic climate in Hong Kong. The Group had drawn on the distribution network of overseas distributors by licensing release of some of its international labels to such distributors. Such licensing arrangement led to a notable drop in the release of international labels from 28 albums for last year to four albums for the year under review.

The awards won by the Group and its artistes more than doubled from 42 awards for the previous year to 89 awards during the year under review. The awards of the Group during the year included 2001 Syndicated Annual Music Award for Album, 2001 Syndicated Annual Music Award for Singer, 2001 Syndicated Outstanding Performance Award, CR2 903 Ultimate Song of the Year Award, Metro Radio's Hit Awards 2001, TVB Top Ten Chinese Gold Songs Awards and RTHK Top Ten Chinese Gold Songs Awards. The substantial leap was mainly due to the outstanding sales records of the Group's albums, effective promotion strategies and strong public recognition.

Taiwan has become an important market for mandarin albums and most of the Group's artistes and repertoire and post-production works were intended to shift to Taiwan for mandarin releases in future. The Taiwan branch office was therefore re-opened in February 2002 after its temporary closure in June 2001.

Mr. Ng Yu joined the Group as the Chief Executive Officer in December 2001. With his savvy and extensive media experience and solid strategic business plans and insight, the business of the Group was expected to improve.

With a view to further penetrate the record market and cater for the tastes of a wider spectrum of audience, the Group set up a separate entertainment operation under the label "Music Icon" in June 2002. This new operation would be run by an independent management team in a separate office. The management expected this operation to create an opportunity for the Group to branch out from the local pop scene and sustain its leading position in the music industry.

# Chairperson's Statement

## **Film and Television Programme Production and Distribution**

Turnover from film and television programme production and distribution contributed approximately HK\$18.7 million to the Group during the year under review. Since the Acquisition, EMG had released four films and one television program, and another five films and one television program were in various stages of production. Loss of the Group during the year under review was mainly attributable to this business sector as EMG is still at its investment stage. Result is expected to improve upon further release of joint productions with overseas partners and international collaborators and when the operation operates to capacity.

Mr. Carl Chang was appointed the Chief Executive Officer of EMG in April 2002. He is responsible for the formation of overall policy, corporate planning and business development and strategic direction of EMG. The management expected EMG to benefit from his extensive experience and expertise in media industry.

## **Artiste Management**

The artiste management fee income of the Group for the year under review increased slightly by 2.3% to approximately HK\$16.9 million. The Group had signed up two green but promising artistes during the period from January 2002 to March 2002. As at the end of the year under review, there were 27 artistes under the Group (including five contract artistes from EMG), as compared with 21 artistes as at the end of the previous year. A total of 29 artistes were recorded as at the date of reporting. The Group would continue to recruit promising artistes to enrich its talent bank and enlarge its major stream of income.

## **Event Production**

Six concerts were organised by the Group during the year under review – three being self-organised and three being co-organised with other parties. Turnover from this business sector amounted to approximately HK\$36.5 million and gross profit of about HK\$8.4 million was recorded. The two self-organised concerts by the end of the year under review brought positive contribution to the Group.



# Chairperson's Statement

## Liquidity, Financial Resources and Capital Structure

The Group currently funds its operation and capital expenditure through cash from operation, secured bank loan and unsecured loan from Surplus Way Profits Limited ("Surplus Way"), the substantial shareholder of the Company.

As at 31st March, 2002, the secured bank loan was approximately HK\$151.2 million, which was denominated in U.S. dollars. The bank loan facility obtained during the year was to finance the production of a film. As security, the Group has assigned to the bank the Group's right, title and interest of every kind and nature in the film and also the Group's right, title and interest in and to the distribution agreements and the proceeds of each of them relating to the film right. The bank loan bears interest at prevailing market rates and is repayable from the proceeds to be received from these distribution agreements but in all events be due and payable on 31st August 2003. Up to the date of reporting, total amount of the bank loan facility obtained is approximately HK\$245.7 million, of which approximately HK\$151.2 million had been utilised at the end of the year under review. At the same date, the unsecured loan from Surplus Way was approximately HK\$55.7 million, which was denominated in Hong Kong dollars, interest bearing at Hong Kong prime rate and has no fixed repayment term.

Save as disclosed above and the intra-group liabilities and normal trade payables and accruals, the Group had no other external borrowings as at 31st March, 2002. At the same date, bank and cash held in hand by the Group was approximately HK\$64.3 million, which was mainly denominated in U.S. dollars and Hong Kong dollars. With the external borrowings and bank and cash held in hand mainly denominated in U.S. dollars and Hong Kong dollars and hedging arrangement for those major foreign currency production contracts already in place, no significant exposure to foreign exchange rate fluctuation is expected in the coming year.

Together with the cash flow generated by the operation of the Group in its ordinary course of business and its existing loan facility, the Board expects that the Group will have sufficient working capital for its operation.

As at 31st March, 2002, the Group had a gearing ratio (expressed as a percentage of total liabilities over total assets) of 73.6% compared to that of 37.2% in the previous year. The increase in the gearing ratio is mainly due to the additional loans raised by the Group during the year to finance the production of a film, which is still at its investment stage at the end of the year under review. The management expects that return on the investment of this film in the future will improve the gearing ratio of the Group.

# Chairperson's Statement

## Use of Proceeds

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 programme production and distribution business of the EMG.

## Prospects

The unique integration of the services gave us an edge over the competitors in the highly competitive music industry, and the Group has successfully emerged as a leading music entertainment and artiste management group in Hong Kong and the Greater China region.

The Group's Taiwan office was re-opened in February 2002. This enabled the Group to tap on the talent of Taiwan and strengthen the mandarin releases of the Group. With the joint effort of our Hong Kong and Taiwan offices, the Group would be better positioned to expand into other markets in the region.

The Group has won the reputation of bringing up talented artistes and grooming them for success. Its artistes have won a number of awards and satisfactory sales records of albums under the Group's labels were guaranteed. Despite the keen competition and challenges in the coming year, we would continue to build up our artiste roster, strengthen our songs and lyrics library, diversify our products and explore cautiously the possibilities of expanding into the recovering markets in the region with a view to improving the performance of the Group's business.

## Number and Remuneration of Employees

As at 31st March, 2002, the Group had 97 employees and total staff costs for the year ended 31st March, 2002 was approximately HK\$30.5 million. All employees are under the remuneration policy of fixed monthly salary with discretionary bonus. Details of share option scheme for employees are set out in the section headed "Shares Option Schemes" on page 27.

# Chairperson's Statement

## Comparison of Business Objective with Actual Business Progress

Business objectives for the period from 1st April, 2001 to 30th September, 2001 as stated in the prospectus dated 8th December, 2000 (the "Prospectus") and the Circular

Business objectives for the period from 1st October, 2001 to 31st March, 2002 as stated in the Prospectus and the Circular

Actual business progress for the year ended 31st March, 2002

### 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.  | N/A  | During the year under review, two staff were recruited for the music production and distribution function and the artiste management function due to the increased workload.   |
| (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. | N/A  | The Taiwan branch office was closed since June 2001 for cost rationalization. In view of the steady expansion of the Group's business, the office was re-operated in February 2002 to help promote its own artistes and to cope with the increased release of mandarin albums in Taiwan. |
| (iii) Commence preparation of establishing the Group's liaison office in Shanghai, the People's Republic of China ("PRC").  | Liaison office in Shanghai to commence operation.                  | The management would re-consider the establishment of Shanghai branch for further development of the Group's business in the PRC until economic resumption.  |
| (iv) N/A  | Expand the licensing and artiste management businesses in the PRC. | Further expansion of licensing and artiste management businesses would be commenced following with the establishment of PRC liaison office.  |

# Chairperson's Statement

## 2. Music production and distribution

- |  |   |   |
|--|---|---|
| (i) Release not less than 15 albums for the Group's own artistes in Hong Kong.         | Release not less than 15 albums for the Group's own artistes in Hong Kong.        | Release of 50 albums for the Group's own artistes in Hong Kong.   |
| (ii) Enter into licence agreement with not less than one international record company. | 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 the licensing of record during the year under review. A licence agreement was entered with another international record company shortly after the year end. |

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

- |  |  |  |
|--|--|--|
| (i) Recruit not less than two new artistes in Hong Kong.   | Recruit not less than two new artistes in Hong Kong and not less than two new artistes in the PRC and/or Taiwan. | During the year under review, total of five new artistes were recruited in Hong Kong. Recruitment of new artistes from PRC and Taiwan were postponed until further development of overseas business. |
| (ii) Nicholas Tse to perform in concert to be held in April 2001 in Sydney, Australia organised by an independent third party. | N/A  | 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. | N/A   | Dave Wang in Concert 2001 was held in April 2001.  |
| (ii) Solely or jointly organize not less than three concerts in Hong Kong.            | Solely or jointly organize not less than three concerts in Hong Kong. | Six concerts were organised solely and jointly during the year under review in an equal split. |

# Chairperson's Statement

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

- |   |  |   |
|---|--|---|
| (i) Film and television programme production and distribution in Hong Kong and overseas market. | Film and television programme production and distribution in Hong Kong and overseas markets. | Since the Acquisition and up to 31st March, 2002, the Group had released four films and one television programme. Another five films and one television programme were in various stages as at the end of year under review. The Group has also entered into various distribution agreements with third parties during the year under review. |
|---|--|---|

## 6. Multimedia entertainment products production

- |   |   |  |
|---|---|--|
| (i) Multimedia entertainment products production. | Multimedia entertainment products production. | EMG is developing a range of new projects, including special effects, animation, games, web-based media for the digital platform in the very immediate future. |
|---|---|--|

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

- |  |  |  |
|--|--|--|
| (i) Artiste management in respect of movie entertainment business. | Artiste management in respect of movie entertainment business. | Five contract artistes were being managed by the Group as at the year end. |
|--|--|--|

## Appreciation

For and on behalf of the Board, I would like to express my sincere thanks to shareholders, my fellow directors, staff and business associates for their commitment and support to the Group during the year.

**Luk Siu Man, Semon**  
*Chairperson*

Hong Kong, 19th June, 2002

# Directors' Report

The directors of the Company present their annual report and the audited financial statements for the year ended 31st March, 2002.

## Principal Activities

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 34 to the financial statements.

## Results

The results of the Group for the year ended 31st March, 2002 are set out in the consolidated income statement on page 35.

The directors of the Company do not recommend the payment of a dividend.

## Share Capital

Details of changes in the issued share capital of the Company during the year are set out in note 23 to the financial statements.

## Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 24 to the financial statements.

## Property, Plant and Equipment

Movements in the property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

# Directors' Report

## Directors

The directors of the Company during the year and up to the date of this report were:

### Executive directors:

Mr. Wong Chi Fai  
Ms. Fan Man Seung, Vanessa  
Mr. Cheng Yiu Keung  
Mr. Ng Sui Wan alias Ng Yu (appointed on 21st February, 2002)  
Mr. Lee Tsun, Frankie (resigned on 30th June, 2001)

### Non-executive directors:

Ms. Luk Siu Man, Semon (*Chairperson*)  
Dr. Chan Kong Sang, Jackie  
Dr. So Shu Fai (appointed on 4th July, 2001)

### Independent non-executive directors:

Mr. Wong Ching Yue  
Mr. Tso Hon Sai, Bosco

The term of office of each director, including the independent non-executive directors, is the period up to his/her retirement by rotation in accordance with the Bye-laws of the Company.

In accordance with Bye-laws 87(1) and 87(2) of the Company's Bye-laws, Ms. Fan Man Seung, Vanessa, Mr. Cheng Yiu Keung ("Mr. Gordon Cheng") and Dr. Chan Kong Sang, Jackie ("Dr. Jackie Chan") retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr. Ng Sui Wan (alias Ng Yu) ("Mr. Ng Yu") and Dr. So Shu Fai retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

On 21st September, 2001, Mr. Ng Yu has entered into an employment contract (including the supplement thereto) with Emperor Entertainment (Hong Kong) Limited, a wholly-owned subsidiary of the Company, in relation to his service as the Chief Executive Officer of the Company and its subsidiaries in connection with their business, for a term commencing from 1st December, 2001 until terminated by not less than three months' notice in writing served by either party on the other or payment in lieu of notice.

# Directors' Report

## Directors (Continued)

Each of the executive directors except Mr. Ng Yu has entered into a service agreement with the Company for an initial term of two years commencing from 30th November, 2000, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Apart from the above service agreements, Mr. Gordon Cheng had on 1st April, 2001, entered into an employment contract with Emperor Entertainment (Hong Kong) Limited, a wholly-owned subsidiary of the Company, in relation to his service as the managing director of record division responsible for overseeing the record sales business of the Group. This agreement may be terminated by not less than one month's notice in writing served by either party on the other or payment in lieu of notice.

Apart from the above service agreements, Mr. Lee Tsun, Frankie ("Mr. Frankie Lee") had, on 23rd November, 2000, entered into another service agreement with Emperor Entertainment Limited, a wholly-owned subsidiary of the Company, in relation to his service as a director and the Chief Executive Officer of the Company and its subsidiaries in connection with their business, for a term commencing from 1st November, 2000 to 31st October, 2003, such term may be terminated by not less than six months' notice in writing served by either party on the other. During the year, Mr. Frankie Lee proposed to resign and the Company accepted his resignation as an executive director and the Chief Executive Officer of the Company. Both Mr. Frankie Lee and the Company have agreed to waive all their respective rights in respect of the early termination of the service agreement entered into between the two parties.

Ms. Luk Siu Man, Semon ("Ms. Semon Luk") and Dr. Jackie Chan have been appointed for a term of two years commencing from 30th November, 2000 and expiring on 29th November, 2002.

Save as disclosed above, none of the directors has a service agreement with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).



# Directors' Report

## Directors' Interests in Contracts and Connected Transactions

During the year, the Group had the following transactions with connected parties pursuant to the Rules Governing the Listing of Securities (the "GEM Listing Rules") on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"):

Name of company	Interested party	Nature of transaction	Terms	Amount for the year ended 31st March, 2002 HK\$'000
Strong Time Investment Limited	Mr. Yeung Hoi Sing, Sonny and Mr. Yeung Lik Shing, Michael up to 1st February, 2002 (Note 1) Ms. Semon Luk from 1st February, 2002 (Note 2)	Operating lease rentals paid	20th January, 2000 to 19th January, 2003 at a monthly rental of HK\$89,588 (exclusive of rates, outgoing charges and management fees)	1,075
		Management fees and air-conditioning charges paid	20th January, 2000 to 19th January, 2003 at a monthly fee of approximately HK\$27,119	325
		Operating lease rentals paid	8th May, 2000 to 19th January, 2003 at a monthly rental of HK\$15,121 (exclusive of rates and management fees)	181
		Management fees and air-conditioning charges paid	8th May, 2000 to 19th January, 2003 at a monthly fee of approximately HK\$4,578	55
Headwise Investment Limited	Emperor International Holdings Limited ("Emperor International") (Note 3)	Operating lease rentals paid	12th September, 2000 to 11th September, 2002 at a monthly rental of HK\$32,500 (exclusive of rates, management fees, and all other outgoing charges) and the agreement was terminated in June 2001	191
		Management fees paid	12th September, 2000 to 11th September, 2002 at a monthly fee of HK\$10,062.40 (subject to increase) and the agreement was terminated in June 2001	59
Very Sound Investments Limited	Emperor International (Note 3)	Car park rentals paid	28th January, 1999 onwards at a monthly fee of HK\$3,600 (may be terminated by either party giving to the other party a one-month prior written notice) and the agreement was terminated in June 2001	13

# Directors' Report

## Directors' Interests in Contracts and Connected Transactions (Continued)

Name of company	Interested party	Nature of transaction	Terms	Amount for the year ended 31st March, 2002 HK\$'000
Active Pace Investment Limited	Emperor International (Note 3)	Car park rentals paid	1st September, 2000 onwards at a monthly fee of HK\$4,800 (may be terminated by either party giving to the other party a one-month prior written notice)	58
Emperor Advertising Limited	Emperor International (Note 3)	Advertising agency commission and other fees paid	1st August, 2000 to 31st July, 2002 at an agency commission rate of 7.5% for media advertising service and based on the actual hours spent at an hourly rate of HK\$750 per manpower for promotion and creative services (renewable for further 12 months at the option of either party)	543
Emperor (Investment) Management Limited	Emperor International (Note 3)	Fee paid for back office support services (including internal auditing, accounting, human resources and administrative services)	1st October, 2000 to 30th September, 2002 based on the actual hours spent at the maximum rate of approximately HK\$400 per hour (renewable for a further 12 months at the option of either party)	235
		Fee paid for professional services (including information technology, legal and secretarial services)	1st October, 2000 to 30th September, 2002 based on the actual hours spent at the rate of approximately HK\$380 per hour for information technology services, and charged on a job-by-job basis for legal and secretarial services (renewable for a further 12 months at the option of either party)	927

### Notes:

- (1) Mr. Yeung Hoi Sing, Sonny and Mr. Yeung Lik Shing, Michael are brothers of Mr. Yeung Sau Shing, Albert ("Mr. Albert Yeung"), a deemed substantial shareholder of the Company.
- (2) Strong Time Investment Limited is the signing agent of Emperor International Exchange (Hong Kong) Company Limited, in which Ms. Semon Luk is 100% interested.
- (3) The company is an indirect wholly-owned subsidiary of Emperor International. Emperor International is a listed company, 68.78% of the shares of which are registered in the name of and beneficially owned by Charron Holdings Limited ("Charron"), a company controlled by Mr. Albert Yeung, spouse of Ms. Semon Luk. The entire issue share capital of Charron was held by Jumbo Wealth Limited ("Jumbo Wealth") on trust for The A & A Unit Trust, a unit trust under the discretionary trust of Mr. Albert Yeung. Accordingly, Ms. Semon Luk was deemed to be interested in 68.78% of its issued share capital.

# Directors' Report

## **Directors' Interests in Contracts and Connected Transactions** *(Continued)*

In the opinion of the independent non-executive directors, the above transactions were carried out in the ordinary and usual course of business under normal commercial terms and are in accordance with the relevant agreements governing them and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In the opinion of the executive directors of the Company, the respective amounts did not exceed the relevant annual caps as agreed by GEM of the Stock Exchange.

As announced by the Company on 27th June, 2001, Questrel Holdings Limited ("Questrel") agreed to subscribed for 20,000,000 new shares of HK\$0.01 each in the Company at a price of HK\$0.98 per share, representing approximately 8.33% of the then existing issued share capital of the Company and approximately 7.69% of the enlarged issued share capital as a result of the subscription. The subscription was completed on 11th July, 2001. The subscription price is equivalent to the sale price pursuant to a private placement arrangement on 27th June, 2001 of 20,000,000 shares of HK\$0.01 each in the Company held by Questrel, the then substantial shareholder of the Company, representing a premium of approximately 11.6% to the average of the closing price of the Company's shares of HK\$0.878 for the preceding ten trading days up to and including 27th June, 2001. The proceeds were used to diversify and expand the Group's business in the entertainment industry. The new shares rank *pari passu* with the then existing shares in all respects.

As announced by the Company on 4th July, 2001 and pursuant to the terms of an agreement for sale and purchase dated 4th July, 2001, Expert Help Profits Limited (now renamed EEG Holdings Limited), a wholly-owned subsidiary of the Company, acquired from Questrel, the then substantial shareholder of the Company, the entire interest in Emperor Movie Holdings Limited ("EMH") and the outstanding loan due to Questrel from EMH for a total cash consideration of approximately HK\$52,781,000, which represents the sum equivalent to the aggregate of the consolidated net liabilities of EMH and the face value of the outstanding loan due from EMH to Questrel on 10th August, 2001.

During the year, the Group paid interest amounting to approximately HK\$815,000 and approximately HK\$1,521,000, respectively, to Questrel and Surplus Way Profits Limited ("Surplus Way") for the advances made to the Group.

Save as disclosed above, no contracts of significance to which the Company, any of its holding companies, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

# Directors' Report

## Directors' and Chief Executives' Interests in Securities

As at 31st March, 2002, 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:

### (a) The Company

Name of director	Personal interest	Family interest	Corporate interest	Other interest	Total
Ms. Semon Luk	—	192,104,000 (Note)	—	—	192,104,000

*Note: The shares are registered in the name of and beneficially owned by Surplus Way, a company controlled by Mr. Albert Yeung, spouse of Ms Semon Luk. The entire issued share capital of Surplus Way was held by Jumbo Wealth on trust for The A & A Unit Trust, a unit trust under the discretionary trust of Mr. Albert Yeung. Accordingly, Ms. Semon Luk was deemed to be interested in the 192,104,000 shares held by Surplus Way.*

### (b) Associated corporation

Name of associated corporation	Nature of interest	Type and number of securities
Emperor International (Note 1)	Family	593,109,297 ordinary shares of HK\$1.00 each
	Personal	660,473 ordinary shares of HK\$1.00 each
Global Food Culture Group Limited (Note 2)	Family	38,540,325 ordinary shares of HK\$0.01 each

Notes:

- (1) Ms. Semon Luk is the owner of 660,473 shares. The 593,109,297 shares are registered in the name of and beneficially owned by Charron, a company controlled by Mr. Albert Yeung, spouse of Ms. Semon Luk. The entire issued share capital of Charron was held by Jumbo Wealth on trust for The A & A Unit Trust, a unit trust under the discretionary trust of Mr. Albert Yeung. Accordingly, Ms. Semon Luk was deemed to be interested in the 593,769,770 shares in Emperor International.

# Directors' Report

## Directors' and Chief Executives' Interests in Securities *(Continued)*

*Notes: (Continued)*

- (2) These shares are registered in the name of and beneficially owned by Forever Rich Profits Limited, a company controlled by Mr. Albert Yeung, spouse of Ms. Semon Luk. The entire issued share capital of Forever Rich Profits Limited was held by Jumbo Wealth on trust for The A & A Unit Trust, a unit trust under the discretionary trust of Mr. Albert Yeung. Accordingly, Ms. Semon Luk was deemed to be interested in the 38,540,325 shares in Global Food Culture Group Limited.

Save as disclosed above, as at 31st March, 2002, none of the directors or chief executives or their respective associates of the Company had 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 Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.40 of the GEM Listing Rules.

## Share Option Schemes

- (a) On 30th November, 2000, the Company adopted a share option scheme (the "Employee Share Option Scheme") which will expire on 30th November, 2010 for the primary purpose of providing incentives to the participants. Under the Employee Share Option Scheme, the Company may grant options to full-time employees, including any executive directors of the Company or its subsidiaries, to subscribe for shares in the Company. The subscription price for the shares will be a price determined by the directors, but may not be less than the higher of the closing price of the shares on GEM of the Stock Exchange on the date of grant of the option, the average of the closing price of the shares on 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. An offer for the grant of options must be accepted within 21 days from the date of the offer and a nominal consideration of HK\$1 is payable on acceptance of the grant of options.

The maximum number of shares in respect of which options may be granted under the Employee Share Option Scheme may not (when aggregated with shares subject to any other share option schemes, including the Pre-IPO Share Option Scheme as defined in paragraph (b) below) 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 of the Company to each grantee, which period may not expire earlier than three years and later than ten years from the date of grant of options subject to the provisions for early termination thereof.

The Company had not granted any option under the Employee Share Option Scheme since its adoption.

# Directors' Report

## Share Option Schemes *(Continued)*

- (b) On 30th November, 2000, the Company adopted a second share option scheme (the "Pre-IPO Share Option Scheme"). The principal terms of the Pre-IPO Share Option Scheme are the same as the terms of the Employee Share Option Scheme except that:
- (i) the subscription price for shares is the higher of the subscription price of HK\$1.08 (subject to adjustment) and the nominal value of the Company's shares;
  - (ii) the total number of shares subject to the Pre-IPO Share Option Scheme will not exceed 9,259,259 shares;
  - (iii) the grantees eligible for the options comprise only executive directors of the Company; and
  - (iv) the right for options to be granted and offered ends upon listing of the Company's shares on GEM of the Stock Exchange.

The Company had, during the year ended 31st March, 2001, granted options to Mr. Frankie Lee, a then director of the Company, 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 is exercisable within twelve months from the expiry of twelve months from 19th December, 2000, the date on which the Company's shares were listed on GEM of the Stock Exchange. All the 9,259,259 option shares remained outstanding at 1st April, 2001. The option lapsed when Mr. Frankie Lee resigned as an executive director and the Chief Executive Officer of the Company with effect from 30th June, 2001.

Other than disclosed above, the Company had not granted any right to subscribe for equity or debt securities of the Company to any director or chief executive of the Company or to their spouse or children under 18 years of age.

Other than disclosed above, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31st March, 2002 and there was no exercise of convertible securities, options, warrants or similar rights during the year.

# Directors' Report

## Substantial Shareholders

As at 31st March, 2002, according to the register of substantial shareholders required to be maintained under Section 16(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 held	Percentage holding
Surplus Way	192,104,000	73.89%
Jumbo Wealth	192,104,000	73.89%
Mr. Albert Yeung	192,104,000 (Note)	73.89%
Ms. Semon Luk	192,104,000 (Note)	73.89%

*Note: The shares are registered in the name of and beneficially owned by Surplus Way, a company controlled by Mr. Albert Yeung. The entire issued share capital of Surplus Way was held by Jumbo Wealth on trust for The A & A Unit Trust, a unit trust under the discretionary trust of Mr. Albert Yeung. Accordingly, Mr. Albert Yeung, spouse of Ms. Semon Luk, was deemed to be interested in the 192,104,000 shares held by Surplus Way. By virtue of the above interests of Mr. Albert Yeung, Ms. Semon Luk was also deemed to be interested in the above 192,104,000 shares held by Surplus Way.*

## Management Shareholders

So far as the directors are aware, as at 31st March, 2002, the following entities were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and who are able, as a practical matter, to direct or influence the management of the Company:

Name	Number of shares held	Percentage holding
Surplus Way	192,104,000	73.89%
Jumbo Wealth	192,104,000	73.89%
Mr. Albert Yeung	192,104,000 (Note)	73.89%
Ms. Semon Luk	192,104,000 (Note)	73.89%

*Note: The shares are registered in the name of and beneficially owned by Surplus Way, a company controlled by Mr. Albert Yeung. The entire issued share capital of Surplus Way was held by Jumbo Wealth on trust for The A & A Unit Trust, a unit trust under the discretionary trust of Mr. Albert Yeung. Accordingly, Mr. Albert Yeung, spouse of Ms. Semon Luk, was deemed to be interested in the 192,104,000 shares held by Surplus Way. By virtue of the above interests of Mr. Albert Yeung, Ms. Semon Luk was also deemed to be interested in the above 192,104,000 shares held by Surplus Way.*

# Directors' Report

## Major Customer and Suppliers

During the year, the five largest customers of the Group accounted for approximately 35% of the turnover of the Group and the largest customer accounted for approximately 16% of the Group's turnover.

The five largest suppliers contributed to approximately 32% of the Group's total purchases and services received and the largest service provider accounted for approximately 23% of the Group's total purchases and services received.

None of the directors, their respective associates and shareholders of the Company (which to the knowledge of the directors own more than 5% of the issued capital of the Company) had any interest in any of the five largest customers or suppliers of the Group for the financial year ended 31st March, 2002.

## Purchase, Sale or Redemption of the Company's Listed Securities

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## Audit Committee

An audit committee was established on 30th November, 2000 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The two independent non-executive directors of the Company, namely, Mr. Wong Ching Yue and Mr. Tso Hon Sai, Bosco, have been appointed as the members of the audit committee.

The audit committee held five meetings during the year. They reviewed and commented on the Company's draft annual, half-year and quarterly financial reports and met with the external auditors.



# Directors' Report

## Competing Interests

Dr. Jackie Chan, a non-executive director of the Company, 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"), the business of which involves 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 Sing Pao Media Group Limited (formerly known as STAREASTnet.com Corporation) ("Sing Pao Media"). Star East is a listed company engaged in a variety of business including movie production and distribution, television programme production and distribution including drama, non-drama and documentary programmes, provision of artiste agency and talent management services, publication of news on horse-racing, music entertainment, public relations, marketing communications and event marketing, franchising of entertainment complexes and theme restaurants, property investment and development and provision of finance. Sing Pao Media is principally engaged in the provision of multimedia entertainment and life style information mainly through its vertically integrated entertainment portals, with emphasis on synergy between traditional and virtual media business. Accordingly, the business of Star East, Sing Pao Media and the Movies Companies may constitute competition with the business of the Group. The directors of the Company consider that since Dr. Jackie Chan is a non-executive director of the Company and will not exert management control over the Group, the business of Star East, Sing Pao Media and the Movies Companies will not materially affect the Group's business.

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

## Sponsor's Interests

Neither the Company's sponsor, BNP Paribas Peregrine Capital Limited ("BNP"), nor its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) as at 31st March, 2002.

Pursuant to the agreement dated 7th December, 2000 entered into between the Company and BNP, BNP has been retained to act as the Company's sponsor for the period from 7th December, 2000 to 31st March, 2003 in return for an agreed fee.

# Directors' Report

## Auditors

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**Luk Siu Man, Semon**  
*Chairperson*

Hong Kong, 19th June, 2002

# Auditors' Report

## 德勤·關黃陳方會計師行

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

香港中環干諾道中111號  
永安中心26樓

**Deloitte  
Touche  
Tohmatsu**

### **TO THE SHAREHOLDERS OF EMPEROR ENTERTAINMENT GROUP LIMITED** *(incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 35 to 78 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

#### **Respective responsibilities of directors and auditors**

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### **Basis of opinion**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

# Auditors' Report

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

## Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st March, 2002 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong, 19th June, 2002

# Consolidated Income Statement

For the year ended 31st March, 2002

	Notes	2002 HK\$'000	2001 HK\$'000
Turnover	4 & 5	154,713	122,399
Other revenue		6,474	5,768
Cost of music production and distribution		(58,324)	(64,998)
Cost of self-organised events		(28,108)	(5,883)
Cost of film and television programme production and distribution		(31,176)	—
Distribution costs		(17,065)	(8,595)
Administrative expenses		(51,171)	(39,364)
(Loss) profit from operations	6	(24,657)	9,327
Finance costs	8	(2,725)	(28)
Share of results of associates		(16)	(611)
Net (loss) profit for the year		<u>(27,398)</u>	<u>8,688</u>
(Loss) earnings per share	10		
– basic		<u>(10.77) cents</u>	<u>5.14 cents</u>
– diluted		<u>(10.77) cents</u>	<u>5.14 cents</u>

There were no recognised gains or losses other than the net (loss) profit for the year.

# Consolidated Balance Sheet

At 31st March, 2002

	Notes	2002 HK\$'000	2001 HK\$'000
Non-current assets			
Property, plant and equipment	11	3,703	2,693
Interests in associates	13	—	—
Prepayments and other receivables	14	7,751	14,574
Film rights	15	262,390	—
		<u>273,844</u>	<u>17,267</u>
Current assets			
Film rights	15	23,957	—
Inventories and record masters	16	4,133	2,544
Trade receivables	17	9,588	26,201
Prepayments and other receivables	14	26,944	37,288
Taxation recoverable		—	13
Pledged bank deposits		1,200	—
Bank balances and cash		64,324	99,614
		<u>130,146</u>	<u>165,660</u>
Current liabilities			
Trade payables	18	19,349	7,553
Other payables and accrued charges		70,005	29,026
Amount due to ultimate holding company	19	55,730	—
Amount due to former ultimate holding company	19	—	31,424
Amount due to a related company	20	870	—
Obligations under a finance lease	21	—	50
Bank overdrafts		327	—
		<u>146,281</u>	<u>68,053</u>
Net current (liabilities) assets		<u>(16,135)</u>	<u>97,607</u>

# Consolidated Balance Sheet

At 31st March, 2002

	Notes	2002 HK\$'000	2001 HK\$'000
Total assets less current liabilities		<u>257,709</u>	<u>114,874</u>
Non-current liability			
Secured bank loan	22	<u>151,196</u>	<u>—</u>
Net assets		<u>106,513</u>	<u>114,874</u>
Capital and reserves			
Share capital	23	<u>2,600</u>	<u>2,400</u>
Reserves	24	<u>103,913</u>	<u>112,474</u>
Shareholders' funds		<u>106,513</u>	<u>114,874</u>

The financial statements on pages 35 to 78 were approved and authorised for issue by the Board of Directors on 19th June, 2002 and are signed on its behalf by:

**Wong Chi Fai**  
Director

**Fan Man Seung, Vanessa**  
Director

# Balance Sheet

At 31st March, 2002

	Notes	2002 HK\$'000	2001 HK\$'000
Non-current assets			
Interests in subsidiaries	12	<u>116,523</u>	<u>100,270</u>
Current assets			
Prepayments		93	—
Bank balance		<u>4</u>	<u>899</u>
		<u>97</u>	<u>899</u>
Current liabilities			
Other payables		833	615
Amount due to a subsidiary		<u>—</u>	<u>938</u>
		<u>833</u>	<u>1,553</u>
Net current liabilities		<u>(736)</u>	<u>(654)</u>
Net assets		<u><u>115,787</u></u>	<u><u>99,616</u></u>
Capital and reserves			
Share capital	23	2,600	2,400
Reserves	24	<u>113,187</u>	<u>97,216</u>
Shareholders' funds		<u><u>115,787</u></u>	<u><u>99,616</u></u>

**Wong Chi Fai**  
Director

**Fan Man Seung, Vanessa**  
Director



# Consolidated Cash Flow Statement

For the year ended 31st March, 2002

	<i>Notes</i>	<b>2002</b> <i>HK\$'000</i>	2001 <i>HK\$'000</i>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	26	<b>(134,499)</b>	(27,823)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		<b>1,676</b>	1,804
Interest paid		<b>(2,793)</b>	—
Finance lease charges paid		<b>(13)</b>	(28)
NET CASH (OUTFLOW) INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<b>(1,130)</b>	1,776
TAXATION			
Hong Kong Profits Tax refunded		<b>13</b>	—
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		<b>179</b>	50
Purchase of subsidiaries (net of cash and cash equivalents acquired)	27	<b>(32,391)</b>	—
Increase in pledged bank deposits		<b>(1,200)</b>	—
Purchase of property, plant and equipment		<b>(1,062)</b>	(3,042)
Increase in amounts due from associates		<b>(16)</b>	(618)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<b>(34,490)</b>	(3,610)
NET CASH OUTFLOW BEFORE FINANCING		<b>(170,106)</b>	(29,657)

# Consolidated Cash Flow Statement

For the year ended 31st March, 2002

	<i>Notes</i>	<b>2002</b> <b>HK\$'000</b>	2001 <i>HK\$'000</i>
FINANCING	28		
Bank loan raised		<b>151,196</b>	—
Net cash inflow from ultimate holding company		<b>24,306</b>	27,927
Proceeds from issue of new shares		<b>19,600</b>	103,726
Expenses paid in connection with the issue of new shares		<b>(563)</b>	(14,649)
Repayment of other loan		<b>(60,000)</b>	—
Repayment of obligations under finance leases		<b>(50)</b>	(116)
		<hr/>	<hr/>
NET CASH INFLOW FROM FINANCING		<b>134,489</b>	116,888
		<hr/>	<hr/>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<b>(35,617)</b>	87,231
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<b>99,614</b>	12,383
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<b>63,997</b>	99,614
		<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		<b>64,324</b>	99,614
Bank overdrafts		<b>(327)</b>	—
		<hr/>	<hr/>
		<b>63,997</b>	99,614
		<hr/> <hr/>	<hr/> <hr/>

# Notes to the Financial Statements

*For the year ended 31st March, 2002*

## 1. General

The Company is incorporated as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda (as amended) on 17th October, 2000. Its shares are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s ultimate holding company is Surplus Way Profits Limited (“Surplus Way”), a company which is incorporated in the British Virgin Islands.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 34.

## 2. Adoption of New and Revised Statements of Standard Accounting

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice (“SSAP”s) issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group’s accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosures for the previous year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group’s accounting policies that have affected the amounts reported and disclosures for the current or prior accounting periods.

### Leases

SSAP 14 (Revised) “Leases” has introduced some amendments to the basis of accounting for leases, and to the disclosures specified for the Group’s leasing arrangements. These changes have not had any material effect on the results for the current or prior accounting periods. Disclosures for the Group’s leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (Revised). Comparative amounts have been restated in order to achieve a consistent presentation.

### Segment reporting

The Group adopted the basis of identification of reportable segments to that required by SSAP 26 “Segment Reporting”. Segment disclosures for the year ended 31st March, 2001 have been amended so that they are presented on a basis consistent with that for the current year.

# Notes to the Financial Statements

*For the year ended 31st March, 2002*

## 3. Significant Accounting Policies

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

### **Goodwill and negative goodwill**

Goodwill or negative goodwill arising on consolidation represents respectively the excess or shortfall of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate.

Negative goodwill is presented as a deduction from assets and is released to income based on an analysis of the circumstances from which the balance resulted. Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate.

On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill is included in the determination of the gain or loss on disposal.

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 3. Significant Accounting Policies *(Continued)*

### Turnover

Turnover represents the aggregate of net amounts received and receivable from albums sold, musical work licensed, production and distribution of films and television programmes and licensing of distribution rights over films and television programmes, event production completed and services provided during the year.

### Revenue recognition

Sales of albums are recognised when the albums are delivered and the title has passed.

Musical work licence income is recognised on an accrual basis in accordance with the terms of the relevant agreements.

Income from the production and distribution of films and television programmes is recognised when the production is complete and released and the amount can be measured reliably.

Income from the licensing of the distribution rights over films and television programmes is recognised when the Company's entitlement to such payments has been established which is upon the delivery of the master copy or materials to the customers or when the notice of delivery is served on the customers.

Artiste management fee income is recognised when the services are provided.

Income from event production is recognised when the events are complete.

Dividend income from investments is recognised when the rights to receive payment have been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Rental income is recognised on a straight line basis over the lease terms.

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 3. Significant Accounting Policies (Continued)

### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Leasehold improvements	Over the relevant lease terms
Computer equipment	33 $\frac{1}{3}$ %
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 3. Significant Accounting Policies *(Continued)*

### Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group.

Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight line basis over the relevant lease term.

### Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any identified impairment loss.

### Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets or liabilities of the associates less any identified impairment loss.

### Film rights

Film rights are stated at cost less accumulated amortisation and any identified impairment loss.

Amortisation is charged to the income statement using a method that reasonably relates the net carrying amount of film rights to the net revenue expected to be realised.

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 3. Significant Accounting Policies *(Continued)*

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### **Inventories and record masters**

Inventories represent finished goods of audio-visual products and are stated at the lower of cost and net realisable value. The cost of finished goods is calculated using the first-in, first-out method.

Record masters represent accumulated costs incurred in the production of master tapes of which the relevant audio-visual products are not yet released as at the balance sheet date less any expected losses. The amount recognised as an asset is amortised over the estimated life of the record performance using a method that reasonably relates the amount to the net revenue expected to be realised.

### **Taxation**

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

### **Foreign currencies**

Transactions in foreign currencies are translated at the approximate rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 4. Turnover

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
An analysis of the Group's turnover is as follows:		
Music production and distribution		
– sales of albums	66,656	70,228
– licence income	15,984	28,566
	<u>82,640</u>	<u>98,794</u>
Production and distribution of films and television programmes and licensing of the corresponding distribution rights	<u>18,725</u>	<u>—</u>
Artiste management fee income	<u>16,877</u>	<u>16,498</u>
Event production		
– gross revenue from self-organised events	36,275	6,793
– share of net income from jointly organised events	196	314
	<u>36,471</u>	<u>7,107</u>
	<u><u>154,713</u></u>	<u><u>122,399</u></u>

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 5. Segment Information

For management purposes, the Group is currently organised into four operating divisions, namely (a) music production and distribution; (b) film and television programme production, distribution and licensing; (c) artiste management; and (d) event production. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Music production and distribution	– sales of albums and licensing of musical works
Film and television programme production, distribution and licensing	– production and distribution of films and television programmes and licensing of distribution rights over films and television programmes
Artiste management	– provision of management services to artistes
Event production	– concert management and organisation

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 5. Segment Information (Continued)

### (a) By activity

	2002		2001	
	Turnover	Contribution to net loss for the year	Turnover	Contribution to net profit for the year
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Music production and distribution	82,640	149	98,794	(785)
Film and television programme production, distribution and licensing	18,725	(31,096)	—	—
Artiste management	16,877	10,377	16,498	10,411
Event production	36,471	2,638	7,107	(500)
	<u>154,713</u>	<u>(17,932)</u>	<u>122,399</u>	9,126
Other revenue not allocated to major activities		2,323		2,148
Unallocated corporate expenses		<u>(9,048)</u>		<u>(1,947)</u>
(Loss) profit from operations		(24,657)		9,327
Finance costs		(2,725)		(28)
Share of results of associates		<u>(16)</u>		<u>(611)</u>
Net (loss) profit for the year		<u><u>(27,398)</u></u>		<u><u>8,688</u></u>

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 5. Segment Information (Continued)

### (a) By activity (Continued)

#### Balance sheet as at 31st March, 2002

	Music production and distribution HK\$'000	Film and television programme production, distribution and licensing HK\$'000	Artiste management HK\$'000	Event production HK\$'000	Total HK\$'000
<b>ASSETS</b>					
Segment assets	<u>22,404</u>	<u>352,371</u>	<u>13,304</u>	<u>4,320</u>	392,399
Unallocated corporate assets					<u>11,591</u>
Consolidated total assets					<u>403,990</u>
<b>LIABILITIES</b>					
Segment liabilities	<u>21,684</u>	<u>212,942</u>	<u>1,471</u>	<u>954</u>	237,051
Unallocated corporate liabilities					<u>60,426</u>
Consolidated total liabilities					<u>297,477</u>
<b>Other Information for the year ended 31st March, 2002</b>					
Depreciation of property, plant and equipment	677	420	274	37	1,408
Unallocated depreciation of property, plant and equipment					<u>402</u>
					<u>1,810</u>
Amortisation of film rights	—	11,124	—	—	<u>11,124</u>
Impairment loss on film rights	—	15,134	—	—	<u>15,134</u>
Additions to property, plant and equipment and film rights	485	212,424	197	26	213,132
Unallocated additions					<u>289</u>
					<u>213,421</u>

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 5. Segment Information (Continued)

### (a) By activity (Continued)

#### Balance sheet as at 31st March, 2001

	Music production and distribution HK\$'000	Film and television programme production, distribution and licensing HK\$'000	Artiste management HK\$'000	Event production HK\$'000	Total HK\$'000
<b>ASSETS</b>					
Segment assets	<u>58,399</u>	<u>—</u>	<u>18,708</u>	<u>5,142</u>	82,249
Unallocated corporate assets					<u>100,678</u>
Consolidated total assets					<u>182,927</u>
<b>LIABILITIES</b>					
Segment liabilities	<u>27,480</u>	<u>—</u>	<u>1,308</u>	<u>3,158</u>	31,946
Unallocated corporate liabilities					<u>36,107</u>
Consolidated total liabilities					<u>68,053</u>
<b>Other Information for the year ended 31st March, 2001</b>					
Depreciation of property, plant and equipment	920	—	358	51	1,329
Unallocated depreciation of property, plant and equipment					<u>613</u>
					<u>1,942</u>
Amortisation of film rights	—	—	—	—	<u>—</u>
Impairment loss on film rights	—	—	—	—	<u>—</u>
Additions to property, plant and equipment and film rights	1,441	—	560	80	2,081
Unallocated additions					<u>961</u>
					<u>3,042</u>

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 5. Segment Information (Continued)

### (b) By geographical market

	2002		2001	
	Turnover	Contribution to net loss for the year	Turnover	Contribution to net profit for the year
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Greater China				
– Hong Kong	142,429	(17,955)	106,179	5,984
– Mainland China	4,151	2,100	5,959	1,407
– Taiwan	4,933	1,282	6,761	100
Ireland	—	(1,264)	—	—
Other areas	3,200	(2,095)	3,500	1,635
	<u>154,713</u>	<u>(17,932)</u>	<u>122,399</u>	9,126
Other revenue not allocated to major markets		2,323		2,148
Unallocated corporate expenses		<u>(9,048)</u>		<u>(1,947)</u>
(Loss) profit from operations		(24,657)		9,327
Finance costs		(2,725)		(28)
Share of results of associates		<u>(16)</u>		<u>(611)</u>
Net (loss) profit for the year		<u>(27,398)</u>		<u>8,688</u>

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 5. Segment Information (Continued)

### (b) By geographical market (Continued)

	Carrying amount of segment assets		Additions to property, plant and equipment and film rights	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Greater China				
– Hong Kong	69,575	175,938	5,087	2,797
– Mainland China	13,791	3,979	3,895	—
– Taiwan	1,882	3,010	41	245
Ireland	318,221	—	204,398	—
Other areas	521	—	—	—
	<u>403,990</u>	<u>182,927</u>	<u>213,421</u>	<u>3,042</u>

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 6. (Loss) Profit from Operations

	2002 HK\$'000	2001 HK\$'000
(Loss) profit from operations has been arrived at after charging:		
Directors' remuneration ( <i>note 7</i> )	3,010	4,072
Retirement benefits scheme contributions, net of forfeited contributions of HK\$336,000 ( <i>2001: nil</i> )	745	449
Other staff costs	<u>26,714</u>	<u>21,187</u>
Total staff costs	<u>30,469</u>	25,708
Allowance for bad and doubtful debts	874	1,877
Amortisation of film rights charged to cost of film production and distribution	11,124	—
Auditors' remuneration		
– current year	1,113	645
– underprovision in prior year	172	—
Depreciation of property, plant and equipment		
– owned assets	1,799	1,819
– assets held under finance leases	11	123
Impairment loss on film rights recognised and included in cost of film production and distribution	15,134	—
Loss on disposal of property, plant and equipment	339	32
Operating lease rentals in respect of rented premises	3,795	2,150
and after crediting:		
Interest income	1,676	1,804
Rental income	<u>731</u>	<u>—</u>



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 7. Directors' Emoluments and Employees' Emoluments

### Directors

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Independent non-executive directors		
Fees	<u>200</u>	<u>66</u>
Non-executive directors		
Fees	<u>275</u>	<u>66</u>
Executive directors		
Fees	300	132
Salaries and other benefits	2,142	3,721
Bonuses	—	—
Retirement benefits scheme contributions	<u>93</u>	<u>87</u>
	<u>2,535</u>	<u>3,940</u>
Total directors' emoluments	<u><u>3,010</u></u>	<u><u>4,072</u></u>

The emoluments of the directors were as follows:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Director A	100	33
Director B	100	33
Director C	75	—
Director D	100	33
Director E	100	33
Director F	100	33
Director G	100	33
Director H	1,402	1,121
Director I	276	—
Director J	<u>657</u>	<u>2,753</u>

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 7. Directors' Emoluments and Employees' Emoluments (Continued)

### Employees

During the year, the five highest paid individuals included two (2001: two) directors of the Company, details of whose emoluments are set out above, of which one of them is appointed as a director of the Company during the year. The total emoluments of that director and the remaining three (2001: three) highest paid individuals were as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	3,630	2,436
Bonuses	—	—
Retirement benefits scheme contributions	74	42
	<u>3,704</u>	<u>2,478</u>
	<b>Number of individuals</b>	
	2002	2001

Emoluments of the employees were within the following band:

Nil – HK\$1,000,000	3	3
HK\$1,000,000 – HK\$1,500,000	<u>1</u>	<u>—</u>

During the year, no emoluments were paid by the Group to the five highest paid individuals of the Company (including directors) as an inducement to join or upon joining the Group or as compensation for loss of office. No director had waived any emoluments during the year.

## 8. Finance Costs

	2002 HK\$'000	2001 HK\$'000
Interest on:		
– bank borrowings	81	—
– other borrowings	2,712	—
– obligations under finance leases	13	28
Total borrowing costs	<u>2,806</u>	28
Less: Amount capitalised in film rights	(81)	—
	<u>2,725</u>	<u>28</u>

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 9. Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the estimated assessable profits were wholly absorbed by tax losses brought forward.

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

Details of unrecognised deferred taxation for the year are set out in note 25.

## 10. (Loss) Earnings per Share

The calculation of the basic and diluted (loss) earnings per share is based on the following data:

<b>(Loss) earnings:</b>	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
(Loss) profit attributable to shareholders and (loss) earnings for the purpose of basic and diluted (loss) earnings per share	<u>(27,398)</u>	<u>8,688</u>
<b>Number of shares:</b>	<b>2002</b>	2001
Weighted average number of shares for the purpose of basic (loss) earnings per share	<b>254,465,753</b>	168,870,016
Effect of dilutive potential shares: Pre-IPO share options	<u>—</u>	<u>118,491</u>
Weighted average number of shares for the purpose of diluted (loss) earnings per share	<u><b>254,465,753</b></u>	<u>168,988,507</u>

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 11. Property, Plant and Equipment

	Leasehold improvements HK\$'000	Computer equipment HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>THE GROUP</b>						
<b>COST</b>						
At 1st April, 2001	2,483	1,934	1,033	2,050	647	8,147
Acquired on acquisition of subsidiaries	1,484	540	584	—	—	2,608
Additions	77	220	35	16	714	1,062
Disposals	(969)	(596)	(427)	(91)	(336)	(2,419)
<b>At 31st March, 2002</b>	<b>3,075</b>	<b>2,098</b>	<b>1,225</b>	<b>1,975</b>	<b>1,025</b>	<b>9,398</b>
<b>DEPRECIATION</b>						
At 1st April, 2001	1,443	1,105	589	1,985	332	5,454
Acquired on acquisition of subsidiaries	148	100	84	—	—	332
Provided for the year	729	638	211	16	216	1,810
Eliminated on disposals	(650)	(560)	(342)	(69)	(280)	(1,901)
<b>At 31st March, 2002</b>	<b>1,670</b>	<b>1,283</b>	<b>542</b>	<b>1,932</b>	<b>268</b>	<b>5,695</b>
<b>NET BOOK VALUES</b>						
<b>At 31st March, 2002</b>	<b>1,405</b>	<b>815</b>	<b>683</b>	<b>43</b>	<b>757</b>	<b>3,703</b>
At 31st March, 2001	1,040	829	444	65	315	2,693

At 31st March, 2001, the net book value of property, plant and equipment held under finance leases amounted to approximately HK\$67,000 (2002: nil).

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 12. Interests in Subsidiaries

	THE COMPANY	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares, at cost	11,333	11,333
Amounts due from subsidiaries	105,190	88,937
	<u>116,523</u>	<u>100,270</u>

The cost of investment in subsidiaries reflects the underlying net asset values of the subsidiaries at the date of the acquisition.

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors of the Company, repayment by the subsidiaries will not be made within the twelve months from the balance sheet date. Accordingly, the amounts are shown as non-current assets.

Particulars of the principal subsidiaries of the Company at 31st March, 2002 are set out in note 34.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

## 13. Interests in Associates

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Share of net liabilities	(928)	(626)
Amounts due from associates	928	626
	<u>—</u>	<u>—</u>

Share of net liabilities of associates by the Group represents the Group's obligations to make good losses incurred by the associates.

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 13. Interests in Associates (Continued)

The amounts due from associates are unsecured and non-interest bearing. Repayment will be made only after the Group's share of losses in relevant associates are made good. The amounts are therefore shown as non-current assets.

Particulars of the Group's associate at 31st March, 2002 are as follows:

Name of associate	Place of incorporation	Attributable equity interest held by the Group	Principal activities
eFoodland Limited	Hong Kong	30%	Internet website operation

## 14. Prepayments and Other Receivables

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Prepaid artiste fees (note a)	17,860	28,902
Prepaid salaries (note b)	1,667	—
Other prepayments and receivables	15,168	22,960
	<b>34,695</b>	<b>51,862</b>

The amount of prepaid artiste fees is analysed as follows:

Non-current portion	7,084	14,574
Current portion	10,776	14,328
	<b>17,860</b>	<b>28,902</b>

The amount of prepaid salaries is analysed as follows:

Non-current portion	667	—
Current portion	1,000	—
	<b>1,667</b>	<b>—</b>

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 14. Prepayments and Other Receivables (Continued)

Notes:

- (a) The amount of prepaid artiste fees that is expected to be recouped within twelve months from the balance sheet date is classified as current assets. The remaining balance is classified as non-current assets. Should the directors of the Company consider that the future recoupable amount of a particular artiste is less than the balance of the artiste fees prepaid to that artiste, the extent of shortfall will be charged to the income statement immediately.
- (b) On 21st September, 2001, Mr. Ng Sui Wan (alias Ng Yu) has entered into an employment contract (including the supplement thereto) with Emperor Entertainment (Hong Kong) Limited, a wholly-owned subsidiary of the Company, in relation to his service as the chief executive officer of the Company and its subsidiaries in connection with their business commencing from 1st December, 2001 (the "Commencement Date"), such term may be terminated by not less than three months' notice in writing served by either party on the other or by paying three months' basis salary in lieu of notice. In addition, in accordance with the terms of the employment contract, an amount of HK\$2,000,000 was paid to him upon the signing of the employment contract. In the event that the contract is terminated within two years from the Commencement Date, the amount has to be refunded on a pro-rata basis. The sum is therefore accounted for as prepaid salaries and charged to the income statement on a straight line basis over the 24 months from the Commencement Date. The unamortised amount at 31st March, 2002 amounted to approximately HK\$1,667,000.

Mr. Ng Sui Wan (alias Ng Yu) was appointed a director of the Company on 21st February, 2002.

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 15. Film Rights

	<b>THE GROUP</b> <i>HK\$'000</i>
<b>COST</b>	
Acquired on acquisition of subsidiaries during the year	102,968
Additions during the year	212,359
<b>At 31st March, 2002</b>	<b>315,327</b>
<b>AMORTISATION AND IMPAIRMENT</b>	
Acquired on acquisition of subsidiaries during the year	2,722
Provided for the year	11,124
Impairment loss recognised in the year	15,134
<b>At 31st March, 2002</b>	<b>28,980</b>
<b>CARRYING AMOUNT</b>	
<b>At 31st March, 2002</b>	<b>286,347</b>
At 31st March, 2001	—

The carrying amount of film rights is analysed as follows:

	<b>THE GROUP</b>	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current portion	262,390	—
Current portion	23,957	—
	<b>286,347</b>	<b>—</b>

Included in film rights is interest capitalised of approximately HK\$81,000 (2001: nil).

During the year, the Group has undertaken a review of its library of film rights to assess the marketability of the respective film rights. The carrying value of certain of the film rights amounting to HK\$15,134,000 was written off.



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 16. Inventories and Record Masters

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Record masters	3,890	2,307
Finished goods	243	237
	<u>4,133</u>	<u>2,544</u>

The above amounts are stated at cost.

## 17. Trade Receivables

The Group allows credit periods of up to 60 days to its trade customers. The following is an aged analysis of trade receivables:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Current	5,926	10,220
Overdue		
0 – 30 days	2,255	9,489
31 – 60 days	278	981
61 – 90 days	530	5,506
over 90 days	599	5
	<u>9,588</u>	<u>26,201</u>

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 18. Trade Payables

The following is an aged analysis of trade payables:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Current	693	1,352
Overdue		
0 – 30 days	15,910	2,627
31 – 60 days	890	785
61 – 90 days	305	231
over 90 days	1,551	2,558
	<u>19,349</u>	<u>7,553</u>

## 19. Amount due to Ultimate/Former Ultimate Holding Company

The amount due to Surplus Way at 31st March, 2002 is unsecured, bears interest at prime rate and is repayable on demand.

The amount due to Questrel Holdings Limited (“Questrel”) at 31st March, 2001 was unsecured and non-interest bearing. On 4th December, 2000, Questrel has undertaken to the Company that it would not request the Group to repay part of the outstanding amount due to it in the amount of HK\$26,500,000 for a period of twelve months from the date of the listing of the Company’s shares on GEM of the Stock Exchange, i.e. 19th December, 2000. Amount due to Questrel was repayable on demand thereafter.

## 20. Amount due to a Related Company

The amount is a trading balance.

The related company and the Group were under the common control of Mr. Yeung Sau Shing, Albert.

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 21. Obligations under a Finance Lease

	THE GROUP			
	Maximum		Present value	
	lease payments		of minimum	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts payable under a finance lease:				
Within one year	—	63	—	50
Less: Future finance charges	—	(13)	—	—
	<u>—</u>	<u>50</u>	<u>—</u>	<u>50</u>
Present value of lease obligations	<u>—</u>	<u>50</u>	<u>—</u>	<u>50</u>

The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under a finance lease were secured by the lessor's charge over the leased assets.

## 22. Secured Bank Loan

The bank loan bears interest at prevailing market rates and is repayable by 31st August, 2003. The bank loan was obtained during the year from a bank for the principal purpose of financing the production of a film. As security, the Company has assigned to the bank the Group's right, title and interest in that film and also the Group's right, title and interest in and to the distribution agreements and the proceeds of each of them relating to that film with a carrying amount of approximately HK\$258,843,000 at 31st March, 2002.

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 23. Share Capital

	Number of shares	Amount HK\$'000
Shares of HK\$0.01 each		
<i>Authorised:</i>		
On incorporation on 17th October, 2000	10,000,000	100
Increase in authorised share capital	9,990,000,000	99,900
	<u>10,000,000,000</u>	<u>100,000</u>
<b>At 31st March, 2001 and 31st March, 2002</b>		
<i>Issued and fully paid:</i>		
Issue of a subscriber's shares	10,000,000	100
Issue of share in accordance with the group reorganisation in November 2000	1	—
Issue of shares by capitalisation of the share premium account	129,370,370	1,294
Pre-IPO Issue, at par, to Mr. Lee Tsun, Frankie, a then director of the Company	4,629,629	46
Placing of shares to professional and institutional investors	76,800,000	768
Issue of shares to the public	19,200,000	192
	<u>240,000,000</u>	<u>2,400</u>
At 31st March, 2001	240,000,000	2,400
Issue of new shares to Questrel	20,000,000	200
	<u>260,000,000</u>	<u>2,600</u>
<b>At 31st March, 2002</b>		

On 27th June, 2001, an arrangement was made for a private placement to independent investors of 20,000,000 shares of HK\$0.01 each in the Company held by Questrel, a then substantial shareholder of the Company, at a price of HK\$0.98 per share, representing a premium of approximately 11.6% to the average of the closing price of the Company's shares of HK\$0.878 for the preceding ten trading days up to and including 27th June, 2001. On the same date, Questrel agreed to subscribe for 20,000,000 new shares of HK\$0.01 each in the Company at a price of HK\$0.98 per share, which is equivalent to the price of the private placement mentioned above. The proceeds were used to diversify and expand the Group's business in the entertainment industry. The new shares rank pari passu with the then existing shares in all respects.

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 24. Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>THE GROUP</b>					
At 1st April, 2000	—	—	—	(149,054)	(149,054)
Surplus arising on group reorganisation	—	91,163	—	—	91,163
Capitalisation of reserve on paying up nil-paid shares	—	(100)	—	—	(100)
Waiver of advances from Questrel as part of group reorganisation	—	—	75,000	—	75,000
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)
Net profit for the year	—	—	—	8,688	8,688
	<u>86,777</u>	<u>91,063</u>	<u>75,000</u>	<u>(140,366)</u>	<u>112,474</u>
At 31st March, 2001	86,777	91,063	75,000	(140,366)	112,474
Premium arising on issue of new shares	19,400	—	—	—	19,400
Expenses incurred in connection with the issue of new shares	(563)	—	—	—	(563)
Net loss for the year	—	—	—	(27,398)	(27,398)
	<u>105,614</u>	<u>91,063</u>	<u>75,000</u>	<u>(167,764)</u>	<u>103,913</u>
<b>At 31st March, 2002</b>	<b><u>105,614</u></b>	<b><u>91,063</u></b>	<b><u>75,000</u></b>	<b><u>(167,764)</u></b>	<b><u>103,913</u></b>
<b>THE COMPANY</b>					
Surplus arising on group reorganisation	—	11,333	—	—	11,333
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)
Net loss for the period	—	—	—	(794)	(794)
	<u>86,777</u>	<u>11,233</u>	<u>—</u>	<u>(794)</u>	<u>97,216</u>
At 31st March, 2001	86,777	11,233	—	(794)	97,216
Premium arising on issue of new shares	19,400	—	—	—	19,400
Expenses incurred in connection with the issue of new shares	(563)	—	—	—	(563)
Net loss for the year	—	—	—	(2,866)	(2,866)
	<u>105,614</u>	<u>11,233</u>	<u>—</u>	<u>(3,660)</u>	<u>113,187</u>
<b>At 31st March, 2002</b>	<b><u>105,614</u></b>	<b><u>11,233</u></b>	<b><u>—</u></b>	<b><u>(3,660)</u></b>	<b><u>113,187</u></b>

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 24. Reserves (Continued)

The accumulated losses of the Group include approximately HK\$928,000 (2001: HK\$626,000) attributable to the associates of the Group.

- (a) The contributed surplus of the Group represents the difference between the aggregate of the nominal amount of the share capital and share premium of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition.

The contributed surplus of the Company represents the difference between the consolidated net assets of the Company's subsidiaries and the nominal value of the Company's shares issued pursuant to the group reorganisation effective on 30th November, 2000.

Under the company law in Bermuda, the contributed surplus of the Company is available for distribution to shareholders. However, a company cannot declare or pay a dividend or make a distribution out of contributed surplus if there are reasonable grounds for believing that:

- (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.
- (b) The special reserve of the Group represents advances of HK\$75,000,000 from Questrel which were waived by Questrel as part of the group reorganisation in November 2000.

In the opinion of the directors of the Company, the Company's reserves available for distribution to shareholders at the balance sheet date are as follows:

	2002 HK\$'000	2001 HK\$'000
Contributed surplus	11,233	11,233
Accumulated losses	(3,660)	(794)
	<u>7,573</u>	<u>10,439</u>

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 25. Unrecognised Deferred Tax Asset

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
At beginning of the year	16,174	20,291
Attributable to subsidiaries acquired during the year	1,931	—
Credit for the year	(822)	(4,117)
At end of the year	<u>17,283</u>	<u>16,174</u>

At the balance sheet date, the unrecognised deferred tax asset represented principally the tax effect of timing differences attributable to tax losses available to relieve future assessable profits. The deferred tax asset has not been recognised in the financial statements as it is not certain that the tax benefit will be realised in the foreseeable future.

The Company had no significant unrecognised deferred taxation during the year or at the balance sheet date.

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 26. Reconciliation of Net (Loss) Profit for the Year to Net Cash Outflow from Operating Activities

	2002 HK\$'000	2001 HK\$'000
Net (loss) profit for the year	(27,398)	8,688
Share of results of associates	16	611
Finance lease charges	13	28
Interest expense	2,712	—
Interest income	(1,676)	(1,804)
Depreciation of property, plant and equipment	1,810	1,942
Loss on disposal of property, plant and equipment	339	32
Amortisation of film rights	11,124	—
Impairment loss on film rights recognised	15,134	—
Increase in film rights	(212,278)	—
Increase in inventories and record masters	(1,589)	(21)
Decrease (increase) in trade receivables	17,702	(9,044)
Decrease (increase) in prepayments and other receivables	23,887	(36,476)
Increase (decrease) in trade payables	6,727	(1,726)
Increase in other payables and accrued charges	28,108	9,947
Increase in amount due to a related company	870	—
Net cash outflow from operating activities	<u>(134,499)</u>	<u>(27,823)</u>



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 27. Purchase of Subsidiaries

	2002 HK\$'000	2001 HK\$'000
Net assets acquired:		
Property, plant and equipment	2,276	—
Interests in associates		
– Share of net liabilities	(304)	—
– Amounts due from associates	304	—
Film rights	100,246	—
Trade receivables	1,089	—
Prepayments and other receivables	6,720	—
Bank balances and cash	20,390	—
Trade payables	(5,069)	—
Other payables and accrued charges	(12,871)	—
Amount due to a group company	(18)	—
Other loan	(60,000)	—
	<u>52,763</u>	<u>—</u>
Satisfied by:		
Cash consideration	52,781	—
Interest in an associate reclassified	(18)	—
	<u>52,763</u>	<u>—</u>
Analysis on outflow of cash and cash equivalents in connection with the purchase of subsidiaries:		
Cash consideration	52,781	—
Bank balances and cash acquired	(20,390)	—
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	<u>32,391</u>	<u>—</u>

The subsidiaries acquired during the year utilised approximately HK\$178,182,000 for the Group's net operating cash flows, paid approximately HK\$337,000 in respect of net returns on investments and servicing of financing, utilised approximately HK\$66,000 for investing activities and contributed approximately HK\$91,196,000 for financing.

The subsidiaries acquired during the year contributed approximately HK\$18,941,000 to the Group's turnover and approximately HK\$34,818,000 to the Group's net loss for the year.

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 28. Analysis of Changes in Financing during the Year

	Share capital and share premium HK\$'000	Amount due to ultimate holding company HK\$'000	Amount due to former ultimate holding company HK\$'000	Obligations under finance leases HK\$'000	Secured bank loan HK\$'000	Other loan HK\$'000
At 1st April, 2000	—	—	169,660	166	—	—
Capitalisation of reserve on paying up nil-paid shares	100	—	—	—	—	—
Proceeds from issue of new shares	103,726	—	—	—	—	—
Expenses in connection with the issue of new shares	(14,649)	—	—	—	—	—
Capitalisation of advances made by Questrel to Mile Oak Profits Limited as part of group reorganisation	—	—	(91,163)	—	—	—
Waiver of advances	—	—	(75,000)	—	—	—
Net cash inflow from financing	—	—	27,927	—	—	—
Repayment	—	—	—	(116)	—	—
At 31st March, 2001	89,177	—	31,424	50	—	—
Proceeds from issue of new shares	19,600	—	—	—	—	—
Expenses in connection with the issue of new shares	(563)	—	—	—	—	—
Reclassification	—	31,424	(31,424)	—	—	—
Borrowings raised	—	—	—	—	151,196	—
On acquisition of subsidiaries	—	—	—	—	—	60,000
Net cash inflow from financing	—	24,306	—	—	—	—
Repayment	—	—	—	(50)	—	(60,000)
At 31st March, 2002	<u>108,214</u>	<u>55,730</u>	<u>—</u>	<u>—</u>	<u>151,196</u>	<u>—</u>

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 29. Retirement Benefits Scheme

The Group operates a defined contribution retirement benefits scheme (the “ORSO Scheme”) for employees joining the Group before 1st December, 2000. The assets of the ORSO Scheme are held separately from those of the Group in funds under the control of the independent trustees.

In light of the introduction of the Mandatory Provident Fund Scheme (the “MPF Scheme”), all the employees were granted a one-off option to elect to switch to the MPF Scheme or stay with the ORSO Scheme.

The cost charged to the income statement represented contributions payable to both schemes by the Group at rates specified in the rules of respective schemes. Where there are employees who have elected to stay with the ORSO Scheme and leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group in the future years are reduced by the amount of forfeited contributions.

At the balance sheet date, the total amount of forfeited contributions of the ORSO Scheme, which arose upon employees leaving the ORSO Scheme and which are available to reduce the contributions payable by the Group in the future years was not significant.

## 30. Capital Commitments

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	<u>287</u>	<u>405</u>

The Company had no significant capital commitments at the balance sheet date.

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 31. Operating Lease Commitments

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within one year	2,189	2,091
In the second to fifth year inclusive	636	1,222
	<u>2,825</u>	<u>3,313</u>

The lease payments are fixed and no arrangements have been entered into for contingent rental payments.

The Company had no significant operating leases commitments at the balance sheet date.

## 32. Other Commitments

At the balance sheet date, the Group was committed to pay an aggregate sum of approximately HK\$19,896,000 (2001: HK\$18,290,000) and approximately HK\$6,965,000 (2001: nil) respectively in respect of artiste fees and film production costs.

The Company had no significant other commitments at the balance sheet date.

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 33. Related Party Transactions

(a) During the year, the Group had transactions with related parties as follows:

	2002 HK\$'000	2001 HK\$'000
Administration fees paid	—	180
Advertising agency commission and other fees paid	582	432
Advertising and promotion expenses paid	951	617
Advisory fee paid	—	500
Car park rentals paid	109	101
Event income received	359	—
Fees paid for back office support services (including internal auditing, accounting, human resources and administrative services)	315	855
Fees paid for designing, building and hosting of websites	—	1,039
Fees paid for other professional services (including information technology, legal and secretarial services)	1,884	376
Initial investment (including capital contributions and advances) in eStardream Limited	—	11
Initial investment (including capital contributions and advances) in eFoodland Limited	—	607
Interest paid to former ultimate holding company	815	—
Interest paid to ultimate holding company	1,521	—
Management fees and air-conditioning charges paid	122	67
Operating lease rentals paid	400	183
Printing expenses paid	70	276
Placement commission fees paid	490	—
Royalty income received	135	—
Underwriting commission fees paid	—	1,692
	<u>          </u>	<u>          </u>

The related parties and the Group were under the common control of Mr. Yeung Sau Shing, Albert.

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 33. Related Party Transactions (Continued)

- (b) On 27th June, 2001, Questrel subscribed for 20,000,000 new shares of HK\$0.01 each in the Company at a price of HK\$0.98 per share, representing approximately 8.33% of the then existing issued share capital of the Company and approximately 7.69% of the enlarged issued share capital as a result of the subscription. The subscription price is equivalent to the price of a private placement arrangement on the same date of 20,000,000 shares of HK\$0.01 each in the Company held by Questrel to independent investors, which represents a premium of approximately 11.6% to the average of the closing price of the Company's shares of HK\$0.878 for the preceding ten trading days up to including 27th June, 2001.
- (c) On 4th July, 2001, Expert Help Profits Limited (now renamed EEG Holdings Limited), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Questrel, to acquire from Questrel the entire interest in Emperor Movie Holdings Limited ("EMH") and the outstanding loan due to Questrel from EMH for a total cash consideration of approximately HK\$52,781,000, which represents the sum equivalent to the aggregate of the consolidated net liabilities of EMH and the face value of the outstanding loan due to Questrel from EMH on 10th August, 2001.
- (d) On 30th June, 2000, part of the advances from Questrel in the amount of HK\$75,000,000 was waived by Questrel as part of the group reorganisation.

In the opinion of the directors of the Company, the above transactions were carried out in the usual course of business and in accordance with the pricing policies of the Group.

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 34. Particulars of Principal Subsidiaries

Particulars of the principal subsidiaries of the Company at 31st March, 2002 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Principal activities
Mile Oak Profits Limited	British Virgin Islands	US\$6	Investment holding
Artlanda Limited	Hong Kong	HK\$2	Production of films and provision of agency services to group companies
EEG Music Publishing Limited (formerly known as Fitto Publishing Company Limited)	Hong Kong	HK\$2	Licensing of musical works
Emperor Entertainment Group (International) Limited	Mauritius	US\$1,000	Trading of audio-visual products and licensing of musical works
Emperor Entertainment Group (Taiwan) Limited	British Virgin Islands/ Taiwan	US\$1	Trading and production of audio-visual products and provision of agency services to group companies
Emperor Entertainment (Hong Kong) Limited	Hong Kong	HK\$10,000,000	Investment holding, trading and production of audio- visual products, licensing of musical works, provision of management services to artistes and concert management and organisation
Emperor Entertainment Limited	Hong Kong	HK\$2	Trading and production of audio-visual products and licensing of musical works

# Notes to the Financial Statements

For the year ended 31st March, 2002

## 34. Particulars of Principal Subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Principal activities
Emperor Multimedia (International) Limited	British Virgin Islands/Japan and United States	US\$1	Production and distribution of films and licensing of distribution rights
Emperor Multimedia Group (HK) Limited	Hong Kong	HK\$10,000	Investment holding, production and distribution of films and licensing of distribution rights
Emperor Multimedia Limited	Hong Kong	HK\$2	Provision of film and television programme production and distribution services and provision of management services to artistes
Giant Lead Profits Limited	British Virgin Islands/ Macau and Thailand	US\$1	Production and distribution of films and licensing of distribution rights
Golden Port Productions Limited	Ireland	IR£2	Production and distribution of films, licensing of distribution rights and provision of distribution services
High Score Profits Limited	British Virgin Islands/ Macau	US\$1	Production of procurement services for film production

The Company directly holds the interest in Mile Oak Profits Limited, all other interests are indirectly held. All subsidiaries are wholly-owned by the Company.

The above table lists the subsidiaries of the Company, which, in the opinion of the directors of the Company, principally affected the results of the year or constituted a substantial portion of the assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.



# Financial Summary

	Year ended 31st March,			
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
<b>RESULTS</b>				
Turnover	154,713	122,399	52,082	12,253
Other revenue	6,474	5,768	2,071	1,400
Cost of music production and distribution	(58,324)	(64,998)	(52,389)	(15,727)
Cost of self-organised events	(28,108)	(5,883)	(1,852)	—
Cost of film and television programme production and distribution	(31,176)	—	—	—
Distribution costs	(17,065)	(8,595)	(5,956)	(4,707)
Administrative expenses	(51,171)	(39,364)	(21,528)	(13,072)
(Loss) profit from operations	(24,657)	9,327	(27,572)	(19,853)
Finance costs	(2,725)	(28)	(41)	(96)
Share of results of associates	(16)	(611)	(15)	—
(Loss) profit before taxation	(27,398)	8,688	(27,628)	(19,949)
Taxation	—	—	(5)	—
Net (loss) profit for the year	<u>(27,398)</u>	<u>8,688</u>	<u>(27,633)</u>	<u>(19,949)</u>

	As at 31st March,		
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
Total assets	403,990	182,927	49,130
Total liabilities	(297,477)	(68,053)	(198,184)
Shareholders' funds	<u>106,513</u>	<u>114,874</u>	<u>(149,054)</u>

*Notes:*

- The results for each of the three years ended 31st March, 2001 have been prepared on a merger accounting basis as if the group structure immediately after the group reorganisation effective on 30th November, 2000 had been in existence since 1st April, 1998.
- The Company was incorporated in Bermuda on 17th October, 2000. Accordingly, the only consolidated balance sheets for the Group that have been prepared are set out above.



# EMPEROR ENTERTAINMENT GROUP LIMITED

英皇娛樂集團有限公司\*

(Incorporated in Bermuda with limited liability)

## PROXY FORM

Form of proxy for use at the Annual General Meeting to be held on 8th August, 2002

I/We<sup>1</sup> \_\_\_\_\_

of \_\_\_\_\_

being the registered holder(s) of \_\_\_\_\_

shares<sup>2</sup> of HK\$0.01 each in the capital of the above-named Company, HEREBY APPOINT THE CHAIRPERSON OF THE MEETING or<sup>3</sup> \_\_\_\_\_

of \_\_\_\_\_

as my/our proxy to vote and act for me/us at the Annual General Meeting (and at any adjournment thereof) of the said Company to be held at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on 8th August, 2002 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the Resolutions set out in the Notice convening the said Meeting and at such Meeting (and at any adjournment thereof) to vote for me/us and in my/our name(s) in respect of the Resolutions as indicated below<sup>4</sup>.

RESOLUTIONS	FOR	AGAINST
1. To receive and consider the audited consolidated financial statements and the reports of the Directors and Auditors for the year ended 31st March, 2002.		
2. To re-elect retiring directors and to fix directors' remuneration.		
3. To re-appoint Deloitte Touche Tohmatsu as Auditors and to authorise the Board of Directors to fix their remuneration.		
4. (A) To grant to the Directors of the Company a general mandate to allot shares in the capital of the Company.		
(B) To grant a general mandate to Directors to repurchase shares of the Company.		
(C) To add repurchased shares to the general mandate pursuant to Resolution 4(A).		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2002. Signed: \_\_\_\_\_

### Notes:

- Full name(s) and address(es) to be inserted in BLOCK CAPITALS.
- Please insert the number of shares registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate to all the shares in the Company registered in your name(s).
- If any proxy other than the Chairperson is preferred, strike out "the Chairperson of the Meeting" here and insert the name and address of the proxy desired in the space provided. ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALLED BY THE PERSON WHO SIGNS IT.
- IMPORTANT: IF YOU WISH TO VOTE FOR A RESOLUTION, TICK THE APPROPRIATE BOX MARKED "FOR". IF YOU WISH TO VOTE AGAINST THE RESOLUTION, TICK THE BOX MARKED "AGAINST". Failure to complete any or all the boxes will entitle your proxy to cast his vote at his discretion. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the Meeting other than those referred to in the Notice convening the Meeting.
- This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be either under its common seal or under the hand of an officer or attorney duly authorised.
- In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s), and for this purpose seniority will be determined by the order in which the names stand in the Register of Members.
- To be valid, this form of proxy, together with any power of attorney or other authority, if any, which it is signed or a notarially certified copy thereof, must be deposited at the Company's principal office in Hong Kong at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong not less than 48 hours before the time for the holding of the Meeting.
- The proxy need not be a member of the Company but must attend the Meeting in person to represent you.
- Completion and delivery of the form of proxy will not preclude you from attending and voting at the Annual General Meeting if you so wish.

\* for identification purpose only