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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three months ("Quarterly Period") and six months ("Half-yearly Period") ended 30th September, 2002, the Company and its subsidiaries (collectively referred to as the "Group") recorded a loss of approximately HK\$10.2 million and HK\$11.4 million respectively, as compared with a loss of approximately HK\$8.5 million and HK\$10.3 million for the last corresponding period, representing 20.0% and 10.7% increase in the loss of the Group. During the same periods, the turnover of the Group increased by 88.0% and 40.3% to approximately HK\$45.3 million and HK\$75.9 million as compared with HK\$24.1 million and HK\$54.1 million for the previous corresponding period.

### **OPERATION REVIEW**

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

The performance in music production and distribution business during the Half-yearly Period is encouraging. Profit from the sale of albums and the licensing of music videos, songs and catalogues for the Half-yearly Period was more than tripled to approximately HK\$13.8 million, as compared with the last corresponding period. Such increase was mainly due to the increase in the income derived from the licensing of audio-visual products.

Income from sale of albums increased slightly during the Half-yearly Period. The Group released 35 albums, as compared with 30 albums of the last corresponding period, out of which 21 albums were for the Group's own artistes and 14 albums were for international labels.

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

Turnover from film and television programme production and distribution contributed approximately HK\$8.3 million to the Group during the Half-yearly Period. During the period, the Group released two films. There were another six films and one television programme in various stages of production, out of which two films were released after the Half-yearly Period. The management expected further release of new films will make a positive contribution to the results of the Group.

#### **Artiste Management**

The artiste management fee income of the Group during the Half-yearly Period increased by 31.8% to approximately HK\$11.2 million as the popularity of some of the Group's artistes increased.

During the Half-yearly Period, the Group signed up a renowned artiste and eight green but promising artistes. This further enriched the Group's talent bank and enlarged its income stream. As at 30th September, 2002, there were 33 artistes under the Group, as compared with 30 artistes as at the end of the last corresponding period. Another established artiste also joined the Group after the period under review.

## **OPERATION REVIEW** *(Continued)*

### **Event Production**

During the Half-yearly Period, the Group solely organized a concert and co-organised another concert with an overseas third party. Both concerts brought positive contribution to the Group.

### **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The Group continued to fund its operation and capital expenditure through internally generated cash flow from operation, secured bank loan and unsecured loan from Surplus Way Profits Limited ("Surplus Way"), the substantial shareholder of the Company.

As at 30th September, 2002, the Group's bank balances and cash held in hand was approximately HK\$110.4 million, which was mainly denominated in U.S. dollars and Hong Kong dollars.

The secured bank loan as at the end of the period under review was approximately HK\$225.2 million, which was denominated in U.S. dollars. The bank loan facility obtained was principally for financing 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. As at 30th September, 2002, the carrying amount of the film rights was approximately HK\$284.2 million. The bank loan bears interest at prevailing market rates and is repayable from the proceeds to be received from these distribution agreements or internal funding but in all events be due and payable on 31st August, 2003. The management expected the film to be released in the third quarter of the year 2003.

As at 30th September, 2002, the unsecured loan from Surplus Way was approximately HK\$90.1 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 30th September, 2002. With the external borrowings and bank balances and cash held in hand mainly denominated in U.S. dollars and Hong Kong dollars, the management expected no significant exposure to foreign exchange rate fluctuation in the coming period.

Together with the cash flow generated by the operation of the Group in its ordinary course of business and its existing loan facility, the management expected the Group to have sufficient working capital for its operation.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE** *(Continued)*

As at 30th September, 2002, the Group had a gearing ratio (expressed as a percentage of total liabilities over total assets) of 81.7% compared to that of 73.6% in the preceding financial year. The increase in the gearing ratio is mainly due to the additional loans raised by the Group during the Half-yearly Period to finance the production of a film, which is still at its investment stage at the end of the period under review. The management expected that return on the investment of this film in the future would improve the gearing ratio of the Group.

There was no change in issued share capital of the Company during the Half-yearly Period. 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. Details of the Employee Share Option Scheme are set out in the section headed "Share Options and Directors' Right to Acquire Shares" on page 20. The Company had not granted any option under the Employee Share Option Scheme since its adoption.

### **NUMBER AND REMUNERATION OF EMPLOYEES**

As at 30th September, 2002, the Group had 99 employees and total staff costs for the Half-yearly Period was approximately HK\$17.2 million. All employees are under the remuneration policy of fixed monthly salary with discretionary bonus. Details of the Employee Share Option Scheme are set out in the section headed "Share Options and Directors' Right to Acquire Shares" on page 20.

### **PROSPECTS**

The management anticipates that market sentiment, especially in the retailing industry, would recover during the coming Christmas and Chinese New Year which would bring in increased sale and revenue to the businesses of the Group. The Group's new operation under the label "Music Icon" is operating with a view to establish itself as a local "signature" record label with emphasis on quality of music production. The management believes that such image is fundamental to building up its strength in the entertainment industry.

With the building up of a strong artistes' base and a solid repertoire, coupled with the maturity in the film production, the management is optimistic towards the future performance of the Group.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business objectives for the Half-yearly Period as stated in the prospectus dated 8th December, 2000 and the circular dated 20th July, 2001

Actual business progress for the Half-yearly Period

### 1. Strategic development/overseas expansion

- (i) Further expand the Group's Taiwan office to include licensing function.

The Group's Taiwan office is principally engaged in licensing business.

### 2. Music production and distribution

- (i) Release not less than 18 albums for the Group's own artistes in Hong Kong.

Release of 21 albums for the Group's own artistes in Hong Kong.

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

The Group entered into a licence agreement and an exclusive sub-publishing agreement with a reputable record company, which managed over 16 artistes and had a collection of over 7,000 compositions in Taiwan, for the licensing and publishing of records and musical works.

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

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

Eight new artistes were recruited during the Half-yearly Period.

- (ii) Recruit not less than two artistes in Asia including Taiwan and the People's Republic of China.

The Group also signed up a talented artiste in Taiwan during the period under review. It takes time for the Group to source the remaining talented artiste as originally planned.

## **COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS** *(Continued)*

### **4. Event production**

- (i) Solely or jointly organise not less than three concerts in Hong Kong.
- Two concerts were organised by the Group during the Half-yearly Period with one being self-organised and another being co-organised with an overseas third party. Another two concerts will be held in November and December, 2002.

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

The Group released two films during the Half-yearly Period. Another six films and one television programme were in various stages of production as at the end of period under review. The Group also entered into various distribution agreements with third parties during the period under review.

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

The Group is developing a range of new projects, including special effects, animation, games, web-based media for launching on the digital platform soon.

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

Three artistes were being managed by the Group as at the end of the period under review.

## RESULTS

The board of directors (the “Board”) announces the unaudited consolidated results of the Group for the Quarterly Period and the Half-yearly Period together with the comparative unaudited figures for the corresponding period in 2001 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

*For the three months and six months ended 30th September, 2002*

	Notes	Three months ended 30th September,		Six months ended 30th September,	
		2002	2001	2002	2001
		(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000
Turnover	3 & 4	45,342	24,108	75,851	54,084
Other revenue		1,135	989	3,709	2,946
Cost of music production and distribution		(18,483)	(11,570)	(33,496)	(28,430)
Cost of film and television programme production and distribution		(4,559)	(7,921)	(8,744)	(7,921)
Cost of self-organised events		(7,125)	—	(7,125)	(5,539)
Distribution costs		(10,275)	(2,799)	(12,086)	(3,948)
Administrative expenses		(15,317)	(11,050)	(27,733)	(21,215)
Loss from operations	5	(9,282)	(8,243)	(9,624)	(10,023)
Finance costs	6	(963)	(402)	(1,751)	(415)
Share of results of associates		—	—	—	—
Loss before taxation		(10,245)	(8,645)	(11,375)	(10,438)
Taxation	7	—	—	—	—
Loss before minority interest		(10,245)	(8,645)	(11,375)	(10,438)
Minority interest		—	99	—	99
Net loss for the period		<u>(10,245)</u>	<u>(8,546)</u>	<u>(11,375)</u>	<u>(10,339)</u>
Loss per share	8				
– basic		(3.94) cents	(3.31) cents	(4.38) cents	(4.15) cents
– diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>(4.15) cents</u>



**CONDENSED CONSOLIDATED BALANCE SHEET**

At 30th September, 2002

		30th September, 2002 (unaudited) HK\$'000	31st March, 2002 (audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	2,802	3,703
Interest in an associate		—	—
Prepayments and other receivables		22,126	7,751
Film rights	9	—	262,390
		<hr/> 24,928	<hr/> 273,844
Current assets			
Film rights	9	327,115	23,957
Inventories and record masters		3,677	4,133
Trade receivables	10	18,958	9,588
Prepayments and other receivables		32,407	26,944
Pledged bank deposits		—	1,200
Bank balances and cash		110,435	64,324
		<hr/> 492,592	<hr/> 130,146
Current liabilities			
Trade payables	11	8,477	19,349
Other payables and accrued charges		97,887	70,005
Amount due to ultimate holding company		90,098	55,730
Amount due to a related company		—	870
Secured bank loan	12	225,235	—
Bank overdrafts		898	327
		<hr/> 422,595	<hr/> 146,281
Net current assets/(liabilities)		<hr/> 69,997	<hr/> (16,135)
Total assets less current liabilities		<hr/> 94,925	<hr/> 257,709
Non-current liability			
Secured bank loan	12	—	151,196
Net assets		<hr/> <b>94,925</b>	<hr/> <b>106,513</b>
Capital and reserves			
Share capital		2,600	2,600
Reserves		92,325	103,913
Shareholders' funds		<hr/> <b>94,925</b>	<hr/> <b>106,513</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30th September, 2002

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st April, 2001	2,400	86,777	91,063	75,000	—	(140,366)	114,874
Issue of new shares	200	—	—	—	—	—	200
Premium arising on issue of new shares	—	19,400	—	—	—	—	19,400
Expenses incurred in connection with issue of new shares	—	(563)	—	—	—	—	(563)
Net loss for the period	—	—	—	—	—	(10,339)	(10,339)
At 30th September, 2001	2,600	105,614	91,063	75,000	—	(150,705)	123,572
Net loss for the period	—	—	—	—	—	(17,059)	(17,059)
At 31st March, 2002	2,600	105,614	91,063	75,000	—	(167,764)	106,513
Exchange difference arising on translation of financial statements of a foreign subsidiary	—	—	—	—	(213)	—	(213)
Net loss for the period	—	—	—	—	—	(11,375)	(11,375)
At 30th September, 2002	<u>2,600</u>	<u>105,614</u>	<u>91,063</u>	<u>75,000</u>	<u>(213)</u>	<u>(179,139)</u>	<u>94,925</u>

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2002

	Six months ended 30th September,	
	2002	2001
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(57,468)	(42,946)
Net cash from (used in) investing activities	247	(31,478)
Net cash from (used in) financing activities	102,817	(20,352)
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	45,596	(94,776)
Cash and cash equivalents at beginning of the period	63,997	99,614
Effect of foreign exchange rate changes	(56)	—
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<u>109,537</u>	<u>4,838</u>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	110,435	4,873
Bank overdrafts	(898)	(35)
	<hr/>	<hr/>
	<u>109,537</u>	<u>4,838</u>

Notes:

## **1. General and Basis of Preparation of Financial Statements**

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 GEM of the Stock Exchange. The Company's ultimate holding company is 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 engaged in trading and production of audio-visual products, licensing of musical works, film and television programme production, distribution and licensing, provision of management services to artistes and concert management and organisation.

The condensed consolidated financial statements have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules").

## **2. Principal Accounting Policies**

The condensed consolidated financial statements have been prepared under the historical cost convention.

The principal accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2002, except the Group has adopted a number of new and revised SSAPs which became effective on 1st January, 2002. The adoption of these SSAPs has no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

### 3. Turnover

	Three months ended 30th September, 2002 (unaudited) HK\$'000		Six months ended 30th September, 2002 (unaudited) HK\$'000	
	2001 (unaudited) HK\$'000	2001 (unaudited) HK\$'000	2001 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
An analysis of the Group's turnover is as follow:				
Music production and distribution				
– sale of albums	17,345	11,437	31,137	30,440
– licence income	7,043	802	16,171	1,767
	<u>24,388</u>	<u>12,239</u>	<u>47,308</u>	<u>32,207</u>
Production and distribution of films and television programmes and licensing of the corresponding distribution rights	5,345	8,458	8,283	8,458
Artiste management fee income	6,545	3,271	11,179	8,515
Event production				
– gross revenue from self-organised events	9,063	—	9,063	4,720
– share of net income from jointly organised events	1	140	18	184
	<u>9,064</u>	<u>140</u>	<u>9,081</u>	<u>4,904</u>
	<u>45,342</u>	<u>24,108</u>	<u>75,851</u>	<u>54,084</u>

#### 4. Segment Information

An analysis of the Group's business segment on which the Group reports its primary segment information and geographical segment is presented as follow:

##### (a) By activity

	Six months ended 30th September, 2002		2001	
	Turnover (unaudited) HK\$'000	Contribution to net loss for the period (unaudited) HK\$'000	Turnover (unaudited) HK\$'000	Contribution to net loss for the period (unaudited) HK\$'000
Music production and distribution	47,308	864	32,207	(9,861)
Film and television programme production, distribution and licensing	8,283	(12,480)	8,458	(1,745)
Artiste management	11,179	3,509	8,515	4,448
Event production	9,081	359	4,904	(2,089)
	<u>75,851</u>	<u>(7,748)</u>	<u>54,084</u>	<u>(9,247)</u>
Other revenue not allocated to the activities		709		1,746
Unallocated corporate expenses		(2,585)		(2,522)
Loss from operations		(9,624)		(10,023)
Finance costs		(1,751)		(415)
Share of results of associates		—		—
Loss before taxation		(11,375)		(10,438)
Taxation		—		—
Loss after taxation		(11,375)		(10,438)
Minority interest		—		99
Net loss for the period		<u>(11,375)</u>		<u>(10,339)</u>

##### (b) By geographical market

	Six months ended 30th September,	
	2002 Turnover (unaudited) HK\$'000	2001 Turnover (unaudited) HK\$'000
Greater China		
– Hong Kong	68,564	52,644
– Mainland China	2,007	90
– Taiwan	2,918	1,052
Other areas	2,362	298
	<u>75,851</u>	<u>54,084</u>

## 5. Loss from Operations

	Three months ended 30th September,		Six months ended 30th September,	
	2002	2001	2002	2001
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss from operations has been arrived at after charging:				
Amortisation of film rights charged to cost of film and television programme production and distribution	4,559	7,588	7,628	7,588
Depreciation of property, plant and equipment	<u>398</u>	<u>422</u>	<u>855</u>	<u>793</u>

## 6. Finance Costs

	Three months ended 30th September,		Six months ended 30th September,	
	2002	2001	2002	2001
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on:				
– bank borrowings	2,164	—	3,839	—
– other borrowings	963	402	1,751	402
– obligation under finance leases	<u>—</u>	<u>—</u>	<u>—</u>	<u>13</u>
Total borrowing costs	3,127	402	5,590	415
Less: Amount capitalised in film rights	<u>(2,164)</u>	<u>—</u>	<u>(3,839)</u>	<u>—</u>
	<u>963</u>	<u>402</u>	<u>1,751</u>	<u>415</u>

## 7. Taxation

No provision for Hong Kong Profits Tax has been made for the Half-yearly Period as the estimated assessable profits were wholly absorbed by tax losses brought forward.

No provision for Hong Kong Profits Tax was made for the corresponding period in 2001 as the Group had no assessable profits during the period.

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

The Group had no share of taxation in the associates during the Half-yearly Period and the corresponding period in 2001.

The Group did not have any significant deferred taxation in respect of the Half-yearly Period and the corresponding period in 2001.

## 8. Loss per Share

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

Earnings:	Three months ended 30th September,		Six months ended 30th September,	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Net loss for the period and loss for the purpose of basic and diluted loss per share	<u>(10,245)</u>	<u>(8,546)</u>	<u>(11,375)</u>	<u>(10,339)</u>
<b>Number of shares:</b>				
Weighted average number of shares for the purpose of basic loss per share	<u>260,000,000</u>	<u>257,826,087</u>	<u>260,000,000</u>	248,961,749
Effect of dilutive potential shares: Pre-IPO share options				<u>—</u>
Weighted average number of shares for the purpose of diluted loss per share				<u>248,961,749</u>



## 9. Movements in Property, Plant and Equipment and Film Rights

During the Half-yearly Period, the Group acquired property, plant and equipment at a cost of approximately HK\$1,003,000 and spent approximately HK\$45,680,000 on cost of film rights.

Impairment loss of approximately HK\$1,123,000 on film rights was recognised and included in cost of film and television programme production and distribution during the Half-yearly Period.

## 10. 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:

	<b>30th September, 2002 (unaudited) HK\$'000</b>	<b>31st March, 2002 (audited) HK\$'000</b>
Current	10,955	5,926
Overdue		
0 – 30 days	5,679	2,255
31 – 60 days	1,377	278
61 – 90 days	434	530
over 90 days	513	599
	<u>18,958</u>	<u>9,588</u>

## 11. Trade Payables

The following is an aged analysis of trade payables:

	<b>30th September, 2002 (unaudited) HK\$'000</b>	<b>31st March, 2002 (audited) HK\$'000</b>
Current	2,296	693
Overdue		
0 – 30 days	3,726	15,910
31 – 60 days	721	890
61 – 90 days	172	305
over 90 days	1,562	1,551
	<u>8,477</u>	<u>19,349</u>

## 12. Secured Bank Loan

During the Half-yearly Period, the Group raised an additional loan in the amount of approximately HK\$74,039,000. The proceeds were principally for the purpose of financing the production of a film. The bank loan bears interest at prevailing market rates and is repayable by 31st August, 2003. 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\$284,163,000 at 30th September, 2002.

## 13. Commitments

### (a) 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:

	30th September, 2002 (unaudited) HK\$'000	31st March, 2002 (audited) HK\$'000
Within one year	2,693	2,189
In the second to fifth year inclusive	2,946	636
	<u>5,639</u>	<u>2,825</u>

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

### (b) Other commitments

At the balance sheet date, the Group was committed to pay an aggregate sum of approximately HK\$30,321,000 (*At 31st March, 2002: HK\$19,896,000*) and approximately HK\$22,676,000 (*At 31st March, 2002: HK\$6,965,000*) respectively in respect of artiste fees and film and television programme production costs.

## 14. Related Party Transactions

During the Half-yearly Period, the Group had transactions with related parties as follows:

	Six months ended 30th September,	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Advertising and promotion expenses and related service fees paid (notes (a) and (b))	410	474
Car park rentals paid (notes (a) and (b))	59	58
Fees paid for back office support services (including internal auditing, accounting, human resources and administrative services) (notes (a) and (b))	71	—
Fees paid for other professional services (including information technology, legal and secretarial services) (notes (a) and (b))	634	326
Interest paid to former ultimate holding company (notes (a) and (c))	—	65
Interest paid to ultimate holding company (notes (a) and (c))	1,751	—
Management fees and air-conditioning charges paid (notes (a) and (b))	202	59
Operating lease rentals paid (notes (a) and (b))	778	191
Printing expenses paid (notes (a) and (b))	35	51
Placement commission fees paid (notes (a) and (b))	—	490
Royalty income received (notes (a) and (b))	16	130
Secretarial Fee paid (notes (a) and (d))	107	—

### Notes:

- Certain directors and deemed substantial shareholders of the Company have beneficial or deemed interests in the above related parties.
- These transactions were carried out in the usual course of business and in accordance with the pricing policies of the Group.
- The interest paid by the Group was calculated by reference to the principal outstanding and at prevailing market interest rates.
- The transaction was carried out after negotiation between the Group and the related party.

## 15. Post Balance Sheet Event

It was announced on 23rd October, 2002 that Union Praise Limited (“Union Praise”), a wholly-owned subsidiary of the Company, had entered into an artiste’s service agreement (“Artiste’s Service Agreement”) with Jackie & Willie Productions Limited (“Jackie & Willie”) in relation to the engagement of Dr. Chan Kong Sang, Jackie (“Dr. Jackie Chan”) as a professional actor for a film to be produced by Union Praise. Pursuant to the terms of the Artiste’s Service Agreement, Union Praise agreed to pay to Jackie & Willie an acting fee of HK\$9,990,000 for the provision of Dr. Jackie Chan as professional actor in the film. Dr. Jackie Chan is a non-executive director of the Company who does not hold any shares of the Company. Dr. Jackie Chan is also a director of Jackie & Willie, the shares of which are deemed to be beneficially owned as to 99% by Dr. Jackie Chan and his associate (as defined in the GEM Listing Rules). Jackie & Willie is therefore an associate of Dr. Jackie Chan under the GEM Listing Rules, and accordingly, the Artiste’s Service Agreement constitutes a connected transaction under Chapter 20 of the GEM Listing Rules.

## DIVIDENDS

No dividends were paid during the Half-yearly Period. The Board does not recommend the payment of an interim dividend for the Half-yearly Period (2001: Nil).

## DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS IN SECURITIES

As at 30th September, 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:

### The Company

Name of director	Personal interests	Family interests	Corporate interests	Other interests	Total
Luk Siu Man, Semon (“Ms. Semon Luk”)	Nil	192,182,000 (Note)	Nil	Nil	192,182,000

*Note: The shares are registered in the name of and beneficially owned by Surplus Way, a company controlled by Mr. Yeung Sau Shing, Albert (“Mr. Albert Yeung”), spouse of Ms. Semon Luk. The entire issued share capital of Surplus Way 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 the 192,182,000 shares held by Surplus Way.*

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (Continued)

### Associated Corporation

Name of associated corporation	Nature of interests	Type and number of securities
Emperor International Holdings Limited ("Emperor International") (Note)	Family	643,911,297 ordinary shares of HK\$1.00 each
	Personal	660,473 ordinary shares of HK\$1.00 each

*Note: Ms. Semon Luk is the owner of 660,473 shares. The 643,911,297 shares 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 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 644,571,770 shares in Emperor International.*

Save as disclosed above, as at 30th September, 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 GEM of the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.40 of the GEM Listing Rules.

### SHARE OPTIONS AND DIRECTORS' RIGHT TO ACQUIRE SHARES

On 30th November, 2000, the Company adopted 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.

## SHARE OPTIONS AND DIRECTORS' RIGHT TO ACQUIRE SHARES (Continued)

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) 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.

As at 30th September, 2002, the Company did not grant 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.

### SUBSTANTIAL SHAREHOLDERS

As at 30th September, 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	192,182,000	73.92%
Jumbo Wealth	192,182,000	73.92%
Mr. Albert Yeung	192,182,000 (Note)	73.92%
Ms. Semon Luk	192,182,000 (Note)	73.92%

*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 192,182,000 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 192,182,000 shares held by Surplus Way.*

## MANAGEMENT SHAREHOLDERS

So far as the directors are aware, as at 30th September, 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	192,182,000	73.92%
Jumbo Wealth	192,182,000	73.92%
Mr. Albert Yeung	192,182,000 (Note)	73.92%
Ms. Semon Luk	192,182,000 (Note)	73.92%

*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 192,182,000 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 192,182,000 shares held by Surplus Way.*

## SPONSOR'S INTERESTS

Neither the Company's sponsor, BNP Paribas Peregrine Capital Limited ("BNP Paribas Peregrine"), 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 30th September, 2002.

Pursuant to the agreement dated 7th December, 2000 entered into between the Company and BNP Paribas Peregrine, BNP Paribas Peregrine 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.

## **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, Jackie & Willie Enterprises Limited and Filmtech Lighting Services Limited and 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 (“Sing Pao Media”). Star East is a listed company engaged in entertainment-related businesses, including the franchising and operation of “Planet Hollywood” and “Star East” theme restaurants in Asia Pacific, strategic investment in Sing Pao Media and M Channel Corporation Limited, production of movies, television drama series, documentary and infotainment programmes and property investment and development. In addition, it has developed operations in market communications, event marketing, talent performance and music production. Sing Pao Media is a company listed on GEM and principally engaged in the publication of newspaper and magazines and 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.

## **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.

## **CORPORATE GOVERNANCE**

The Company has complied throughout the Half-yearly Period with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.



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

During the Half-yearly Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 12th November, 2002