



First Quarterly Report 2003  
二零零三年 第一季度業績報告

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)

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 arising 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.**

*The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*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 (“GEM Listing Rules”) 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 ended 30th June, 2003 (the “Period”), the Company and its subsidiaries (collectively referred to as the “Group”) recorded a net profit of approximately HK\$1.4 million, as compared with a net loss of approximately HK\$1.1 million for the previous corresponding quarter. Turnover of the Group for the Period increased by 21% to approximately HK\$37.0 million as compared with HK\$30.5 million for the last corresponding quarter. Apart from the event production sector which did not have any activity during the Period, all business sectors demonstrated marked improvement as compared with the previous corresponding quarter.

### **OPERATION REVIEW**

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

The music production and distribution business of the Group continued its steady growth. Turnover and gross profit from this sector increased by 6% and 21% respectively as compared with that of the previous corresponding quarter.

The increase in turnover and gross profit is mainly attributable to the increase in the Group’s output and sale of albums as well as the successful control of cost for music production and distribution. During the Period, the Group released 22 albums (as compared with nine albums in the previous corresponding quarter), out of which 20 albums were for the Group’s own artistes and two albums were for international labels.

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

Turnover from this business sector during the Period increased by 69% as compared with the previous corresponding quarter. The overall performance of this sector also showed encouraging improvement and recorded a gross profit for the Period.

During the Period, the Group released one film, namely “The Twins Effect”. It was well received by the public in Hong Kong. The management expected distribution of the film to bring positive contribution to the Group in the coming period.

At the end of the Period, three other films, including “The Medallion”, would be due for release shortly. As the management has gained more experience in the industry and exerted a better budgetary control, these films are expected to make satisfactory contribution to the results of the Group.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

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

#### **Artiste Management**

The Group recorded remarkable performance in this sector during the Period. This was mainly due to the increasing popularity of the Group's artistes. Income from artiste management for the Period soared by 68% as compared with the previous corresponding quarter.

As at 30th June, 2003, there were 30 artistes under the Group's management as compared with 29 artistes at the end of the last corresponding quarter.

The Group would monitor the trend of the market and continue to source promising new artistes through various channels (including the 2003 International Chinese New Talent Singing Championship) so as to strengthen its artiste base and enrich its talent bank.

Targeted at the teenage group and fans club members, a trail-blazing retail shop "EEG SHOWROOM" had been opened. This gallery-like retail shop sells mainly EEG artistes' exclusive pictures and collectible souvenirs, and is intended to capture the attention and loyalty of youngsters to the EEG labels.

#### **Event Production**

No concert was organised by the Group during the Period. The Group intended to organise two concerts in the third quarter. The management expected these concerts to bring satisfactory contribution to the Group.

### **FINANCIAL RESOURCES**

There was no material change in the Group's sources of fund to finance its operations and capital expenditure as disclosed in the Group's annual report for the year ended 31st March, 2003.

### **PROSPECTS**

To diversify its business, the Group had co-produced an Internet drama series entitled "All about Boyz", which was being released recently. Apart from this, the Group had participated in the digital content services offered by notable telecommunication companies for producing ringing tones, mobile wallpaper, screensaver, MMS content and other voice applications, etc. The management expected these new business opportunities to broaden the income stream and maximise free publicity exposure for the Group's artistes and projects.

As the global economy recovers from the war in Iraq, and the Hong Kong economy recovers from the Severe Acute Respiratory Syndrome (SARS), the management is cautiously optimistic about prospects of the Group for the coming quarters.

## RESULTS

The board of directors of the Company (the “Board”) announces the unaudited consolidated results of the Group for the Period together with the comparative unaudited figures for the corresponding period in 2002 as follows:

	<i>Notes</i>	<b>Three months ended</b>	
		<b>30th June,</b>	
		<b>2003</b>	<b>2002</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	37,014	30,509
Other operating income		1,398	2,574
Cost of music production and distribution		(14,692)	(15,013)
Cost of film and television programme production and distribution		(3,911)	(4,185)
Cost of self-organised event		—	—
Distribution costs		(5,665)	(1,811)
Administrative expenses		(11,333)	(12,416)
		<hr/>	<hr/>
Profit/(loss) from operations		2,811	(342)
Finance costs		(1,409)	(788)
Share of results of associate		—	—
		<hr/>	<hr/>
Profit/(loss) before taxation		1,402	(1,130)
Taxation	3	—	—
		<hr/>	<hr/>
Profit/(loss) before minority interests		1,402	(1,130)
Minority interests		11	—
		<hr/>	<hr/>
Net profit/(loss) for the period		<u>1,413</u>	<u>(1,130)</u>
		<hr/>	<hr/>
Earnings/(loss) per share	4		
– basic		<u>0.54 cent</u>	<u>(0.43) cent</u>
		<hr/>	<hr/>
– diluted		<u>N/A</u>	<u>N/A</u>
		<hr/>	<hr/>

*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). Its shares are listed on GEM of 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 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 principal accounting policies adopted in preparing the unaudited consolidated results conform with Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants and are consistent with those followed in the Group's annual financial statements for the year ended 31st March, 2003, except as described below.

In the current period, the Group has adopted SSAP 12 (Revised) "Income taxes" which is effective for accounting periods commencing on or after 1st January, 2003. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous periods, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. This change in accounting policy has no material effect for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

## 2. Turnover

	Three months ended 30th June,	
	2003 HK\$'000	2002 HK\$'000
An analysis of the Group's turnover is as follows:		
Music production and distribution		
– sale of albums	16,626	13,792
– licence income	<u>7,662</u>	<u>9,128</u>
	<u>24,288</u>	<u>22,920</u>
Production and distribution of films and television programmes and licensing of the corresponding distribution rights	<u>4,958</u>	<u>2,938</u>
Artiste management fee income	<u>7,768</u>	<u>4,634</u>
Event production		
– gross revenue from self-organised event	—	—
– share of net income from jointly organised event	<u>—</u>	<u>17</u>
	<u>—</u>	<u>17</u>
	<u>37,014</u>	<u>30,509</u>

## 3. Taxation

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

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

The Group has no share of taxation in the associate during both periods.

The Group has no significant deferred taxation in respect of the Period and the corresponding period in 2002. The deferred tax asset relating to tax losses has not been recognised, as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

#### 4. Earnings/(loss) per share

The calculation of basic earnings per share for the Period is based on the unaudited consolidated net profit for the Period of approximately HK\$1,413,000 (2002: net loss of approximately HK\$1,130,000) and on 260,000,000 (2002: 260,000,000) ordinary shares in issue during the Period.

Diluted earnings/(loss) per share has not been presented for either period as the Company had no dilutive potential ordinary shares for both periods.

#### 5. Movement of reserves

Analyses of movements in the reserves are shown as follows:

	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, 2002	105,614	91,063	75,000	—	(167,764)	103,913
Net loss for the period	—	—	—	—	(1,130)	(1,130)
At 30th June, 2002	105,614	91,063	75,000	—	(168,894)	102,783
Exchange differences on translation of overseas operations not recognised in the consolidated income statement	—	—	—	(224)	—	(224)
Net loss for the period	—	—	—	—	(14,810)	(14,810)
At 31st March, 2003	105,614	91,063	75,000	(224)	(183,704)	87,749
Exchange differences on translation of overseas operations not recognised in the consolidated income statement	—	—	—	7	—	7
Net profit for the period	—	—	—	—	1,413	1,413
At 30th June, 2003	<u>105,614</u>	<u>91,063</u>	<u>75,000</u>	<u>(217)</u>	<u>(182,291)</u>	<u>89,169</u>

#### INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the Period (2002: Nil).



## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30th June, 2003, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and GEM of the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules were as follows:

### (a) Long position in shares in the Company

Name of director	Nature of interests	Type and number of shares held	Percentage holding
Ms. Luk Siu Man, Semon ("Ms. Semon Luk") (Note)	Family	192,182,000 ordinary shares of HK\$0.01 each	73.92%

*Note: The shares were registered in the name of Surplus Way. The entire issued share capital of Surplus Way was held by Jumbo Wealth Limited ("Jumbo Wealth") on trust for The A & A Unit Trust. The A & A Unit Trust was a unit trust under The Albert Yeung Discretionary Trust ("Trust"), a discretionary trust set up by Mr. Yeung Sau Shing, Albert ("Mr. Albert Yeung"). Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the 192,182,000 shares held by Surplus Way. By virtue of the aforesaid interests of Mr. Albert Yeung, Ms. Semon Luk, spouse of Mr. Albert Yeung and director of the Company, was also deemed to be interested in the above 192,182,000 shares held by Surplus Way.*

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS  
IN SHARES** *(Continued)*

**(b) Long positions in shares in associated corporations**

<b>Name of associated corporation</b>	<b>Capacity/Nature of interests</b>	<b>Type and number of shares held</b>	<b>Percentage holding</b>
Surplus Way <i>(Note 1)</i>	Family	1 ordinary share of US\$1.00 each	100%
Jumbo Wealth <i>(Note 1)</i>	Family	1 ordinary share of US\$1.00 each	100%
Charron Holdings Limited ("Charron") <i>(Note 2)</i>	Family	1 ordinary share of US\$1.00 each	100%
Emperor International Holdings Limited ("Emperor International") <i>(Note 2)</i>	Family	64,567,475 ordinary shares of HK\$0.10 each	74.79%

*Notes:*

1. Surplus Way was the registered owner of 192,182,000 shares, representing 73.92% of the total issued share capital of the Company. The entire issued share capital of Surplus Way was held by Jumbo Wealth on trust for The A & A Unit Trust. The A & A Unit Trust was a unit trust under the Trust, a discretionary trust set up by Mr. Albert Yeung. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the share capital of Surplus Way and held the entire issued share capital of Jumbo Wealth on trust for GZ Trust Corporation ("GZ Trust") as trustee of the Trust. By virtue of the aforesaid interests of Mr. Albert Yeung, Ms. Semon Luk, spouse of Mr. Albert Yeung and director of the Company, was also deemed to be interested in the share capital of Surplus Way and Jumbo Wealth respectively.
2. Charron was the registered owner of 64,567,475 shares in Emperor International. The entire issued share capital of Charron was held by Jumbo Wealth on trust for The A & A Unit Trust. By virtue of the respective interests of The A & A Unit Trust in Surplus Way and Charron, both Charron and Emperor International were associated corporations of the Company. The entire issued share capital of Jumbo Wealth was held by GZ Trust on trust for the Trust, a discretionary trust set up by Mr. Albert Yeung. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the share capital of Charron and Emperor International respectively. By virtue of the aforesaid interests of Mr. Albert Yeung, Ms. Semon Luk, spouse of Mr. Albert Yeung and director of the Company, was also deemed to be interested in the share capital of Charron and Emperor International respectively.

## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES** *(Continued)*

Save as disclosed above, as at 30th June, 2003, none of the directors or chief executives of the Company had any interests or short positions in shares, underlying shares or debentures in the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and GEM of the Stock Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rule 5.40 of the GEM Listing Rules.

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

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 of the Company, 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) 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 June, 2003, 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.

## INTERESTS DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as known to the directors of the Company, as at 30th June, 2003, the persons (other than the directors or chief executives of the Company) who had interests and short positions in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

### Long position in shares in the Company

Name	Capacity/Nature of interests	Type and number of shares held	Percentage holding
Surplus Way ( <i>Note</i> )	Beneficial	192,182,000 ordinary shares of HK\$0.01 each	73.92%
Jumbo Wealth ( <i>Note</i> )	Trustee	192,182,000 ordinary shares of HK\$0.01 each	73.92%
GZ Trust ( <i>Note</i> )	Trustee	192,182,000 ordinary shares of HK\$0.01 each	73.92%
Mr. Albert Yeung ( <i>Note</i> )	Founder of Trust	192,182,000 ordinary shares of HK\$0.01 each	73.92%

*Note: The shares were registered in the name of Surplus Way. The entire issued share capital of Surplus Way was held by Jumbo Wealth on trust for The A & A Unit Trust. The A & A Unit Trust was a unit trust under the Trust, a discretionary trust set up by Mr. Albert Yeung. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the 192,182,000 shares held by Surplus Way and held the entire issued share capital of Jumbo Wealth on trust for GZ Trust as trustee of the Trust. The above shares were the same shares as set out under Section (a) of "Directors' and Chief Executives' Interests and Short Positions in Shares" above.*

Save as disclosed above, as at 30th June, 2003, the directors of the Company were not aware of any other persons (other than the directors or chief executives of the Company) who had any interests or short positions in the shares, underlying shares or debentures in the Company as recorded in the register required to be kept under Section 336 of the SFO.

## **COMPETING INTERESTS**

Dr. Chan Kong Sang, Jackie (“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. Accordingly, the business of 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, Dr. Jackie Chan’s interest in the business of the Movies Companies will not materially affect the Group’s business.

The Trust, a discretionary trust set up by Mr. Albert Yeung, a management shareholder of the Company indirectly held 50% of the shareholding of JC Emperor Movies Limited (“JC Emperor”), a company engaged in the production and distribution of movies. By virtue of the said interests of Mr. Albert Yeung, Ms. Semon Luk, spouse of Mr. Albert Yeung and a non-executive director of the Company, is also deemed to be interested in the said shareholding held by Mr. Albert Yeung. Accordingly, the business of JC Emperor may constitute competition with the business of the Group. The directors of the Company consider that since Ms. Semon Luk is a non-executive director of the Company and will not exert management control over the Group, the aforesaid interest in the business of JC Emperor will not materially affect the Group’s business.

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

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the 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 August, 2003