



HALF-YEARLY REPORT 2003



EEG

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

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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 (“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 (“Quarterly Period”) and six months (“Half Yearly Period”) ended 30th September, 2003, the Company and its subsidiaries (collectively referred to as the “Group”) recorded a net profit of approximately HK\$15.3 million and HK\$16.8 million respectively, as compared with a net loss of approximately HK\$10.2 million and HK\$11.4 million for the last corresponding periods. During the same periods, turnover of the Group amounted to approximately HK\$204.1 million and HK\$241.2 million respectively, as compared with approximately HK\$45.3 million and HK\$75.9 million for the previous corresponding periods. Apart from the event production sector which did not have any activity during the periods, the overall performance of the Group had shown significant improvement as compared with the last corresponding periods.

### OPERATION REVIEW

#### Music Production and Distribution

The overall gross profit from this sector increased due to successful costs control. During the Half Yearly Period, the Group released 29 albums (*as compared with 35 albums in the previous corresponding period*), out of which 27 albums were for the Group’s own artistes and two albums were for international labels.

#### Film and Television Programme Production and Distribution

In the Half Yearly Period, this business sector contributed approximately HK\$185.9 million to the Group’s turnover, and recorded a gross profit of approximately HK\$33.2 million. This was mainly attributable to the release of three films and an Internet drama series during the Half Yearly Period. In particular, the box-office of two films, namely “The Twins Effect” and “The Medallion” was encouraging and the management expected that the distribution of these films would continue to bring positive contribution to the Group.

At the end of the Half Yearly Period, another film was in progress and would be due for release shortly. The management expected the release of the new film would bring in further contributions to the Group.

#### Artiste Management

The Group recorded satisfactory performance in this sector during the Half Yearly Period. Income from this sector soared by 28% as compared with the previous corresponding period.

During the Half Yearly Period, the Group recruited seven new artistes in Hong Kong and the People’s Republic of China and at the end of the Half Yearly Period, there were 33 artistes under the Group’s management.

Recently, a college for performing arts was set up in Beijing. The lessons provided an all-round professional training and education in various fields of performing arts, the related technical arts, and film and television programme production. The management believed with this college not only could broaden the income stream of the Group, but also enable the Group to source talented and promising new artistes.

## **OPERATION REVIEW** *(continued)*

### **Event Production**

No concert was organised during the Half Yearly Period. Shortly after the Half Yearly Period, a concert was organised by the Group which was well-received by the public and the media. Another concert would be organised at the end of the year. The management expected these concerts to bring satisfactory contribution to the Group.

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

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

As at 30th September, 2003, the Group's current ratio based on current assets over current liabilities was 1.4 as compared with that of 1.1 in the preceding financial year. Current assets amounted to approximately HK\$335.3 million, comprising 64% of film rights, inventories and record masters, 19% of bank balances and cash held in hand (which were mainly denominated in U.S. dollars, Hong Kong dollars and Renminbi), and the remaining 17% of trade receivables, Renminbi and other receivables. Current liabilities amounted to approximately HK\$246.6 million, comprising 52% of trade payables, other payables and accrued charges and 48% of unsecured loan from Surplus Way Profits Limited ("Surplus Way"), the substantial shareholder of the Company.

During the Half Yearly Period, the Group successfully repaid the entire amount of secured bank loan through the proceeds received from distribution of a film. As a result of such repayment, the Group's gearing ratio (expressed as a percentage of total liabilities over total assets) improved by 13%, from 83% in the preceding financial year to 70% at the end of the Half Yearly Period.

As at 30th September, 2003, loans from minority shareholders were approximately HK\$2.6 million which were denominated in Hong Kong dollars and Reminbi, unsecured, non-interest bearing and had no fixed repayment term. The Group also had unsecured loan from Surplus Way of approximately HK\$118.3 million, which was denominated in Hong Kong dollars with interest at the Hong Kong prime rate and had no fixed repayment term.

Save as disclosed above and trade liabilities, the Group had no other external borrowings at the end of the Half Yearly Period. With the borrowings and bank and cash held in hand mainly denominated in U.S. dollars, Hong Kong dollars and Reminbi, the management expected to have no significant exposure to foreign exchange rate fluctuation 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 management expected the Group to have sufficient working capital for its operation.

## **NUMBER AND REMUNERATION OF EMPLOYEES**

As at 30th September, 2003, the Group had 107 employees and total staff costs for the Half Yearly Period was approximately HK\$16.2 million. All employees are under the remuneration policy of fixed monthly salary with discretionary bonus. The Company also has a share option scheme, details of which are set out in the section headed "Share Options and Directors' Right to Acquire Shares" on page 18.

## **PROSPECTS**

The film and television programme production and distribution sector turned from the red during the Half Yearly Period. The management expected further release of films to make more fruitful return to the Group. In addition, the management will continue to monitor the market trend and take steps to strengthen its position in the entertainment industry.

## RESULTS

The board of directors of the Company (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 2002 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30th September, 2003

		Three months ended 30th September,		Six months ended 30th September,	
		2003	2002	2003	2002
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	3 & 4	204,146	45,342	241,160	75,851
Other operating income		1,729	1,135	3,127	3,709
Cost of music production and distribution		(7,797)	(21,765)	(22,489)	(36,778)
Cost of film and television programme production and distribution		(148,802)	(4,559)	(152,713)	(8,744)
Cost of self-organised event		—	(7,413)	—	(7,413)
Distribution costs		(19,226)	(6,705)	(24,891)	(8,516)
Administrative expenses		(13,811)	(15,317)	(25,144)	(27,733)
Profit/(Loss) from operations	5	16,239	(9,282)	19,050	(9,624)
Finance costs	6	(1,582)	(963)	(2,991)	(1,751)
Share of results of associate		—	—	—	—
Profit/(Loss) before taxation		14,657	(10,245)	16,059	(11,375)
Taxation	7	—	—	—	—
Profit/(Loss) before minority interests		14,657	(10,245)	16,059	(11,375)
Minority interests		683	—	694	—
Net profit/(loss) for the period		<u>15,340</u>	<u>(10,245)</u>	<u>16,753</u>	<u>(11,375)</u>
Earnings/(Loss) per share	8				
– basic		5.90 cents	(3.94) cents	6.44 cents	(4.38) cents
– diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

**CONDENSED CONSOLIDATED BALANCE SHEET**

At 30th September, 2003

		<b>30th September, 2003 (unaudited) HK\$'000</b>	<b>31st March, 2003 (audited) HK\$'000</b>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	2,415	2,130
Interests in associate		—	—
Prepayments and other receivables		17,481	22,571
Film rights	9	3,242	3,163
		<hr/>	<hr/>
		23,138	27,864
		<hr/>	<hr/>
Current assets			
Film rights	9	212,454	351,698
Inventories and record masters		3,628	3,358
Trade receivables	10	24,636	17,031
Prepayments and other receivables		31,871	36,057
Bank balances and cash		62,713	78,727
		<hr/>	<hr/>
		335,302	486,871
		<hr/>	<hr/>
Current liabilities			
Trade payables	11	6,851	9,081
Other payables and accrued charges		121,445	118,639
Amount due to ultimate holding company		118,258	117,780
Secured bank loan	12	—	177,726
Bank overdrafts		—	1,081
		<hr/>	<hr/>
		246,554	424,307
		<hr/>	<hr/>
Net current assets		88,748	62,564
		<hr/>	<hr/>
Total assets less current liabilities		111,886	90,428
		<hr/>	<hr/>
Minority interests		(1,147)	1,921
		<hr/>	<hr/>
Non-current liability			
Loans from minority shareholders		2,632	2,000
		<hr/>	<hr/>
Net assets		108,107	90,349
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Share capital		2,600	2,600
Reserves		105,507	87,749
		<hr/>	<hr/>
Shareholders' funds		108,107	90,349
		<hr/> <hr/>	<hr/> <hr/>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30th September, 2003

	Share capital HK\$'000	Share premium HK\$'000	Share Contributed surplus HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st April, 2002	2,600	105,614	91,063	75,000	—	(167,764)	106,513
Exchange differences on translation of overseas operations not recognised in the consolidated income statement	—	—	—	—	(213)	—	(213)
Net loss for the period	—	—	—	—	—	(11,375)	(11,375)
At 30th September, 2002	2,600	105,614	91,063	75,000	(213)	(179,139)	94,925
Exchange differences on translation of overseas operations not recognised in the consolidated income statement	—	—	—	—	(11)	—	(11)
Net loss for the period	—	—	—	—	—	(4,565)	(4,565)
At 31st March, 2003	2,600	105,614	91,063	75,000	(224)	(183,704)	90,349
Share of reserve by a minority shareholder of a subsidiary	—	—	—	—	12	—	12
Exchange differences on translation of overseas operations not recognised in the consolidated income statement	—	—	—	—	993	—	993
Net profit for the period	—	—	—	—	—	16,753	16,753
At 30th September, 2003	<u>2,600</u>	<u>105,614</u>	<u>91,063</u>	<u>75,000</u>	<u>781</u>	<u>(166,951)</u>	<u>108,107</u>



**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30th September, 2003*

	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2003</b>	<b>2002</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from (used in) operating activities	162,283	(57,468)
Net cash (used in) from investing activities	(765)	247
Net cash (used in) from financing activities	(177,230)	102,817
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	(15,712)	45,596
Cash and cash equivalents at beginning of the period	77,646	63,997
Effect of foreign exchange rate changes	779	(56)
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<u>62,713</u>	<u>109,537</u>
	<hr/>	<hr/>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	62,713	110,435
Bank overdrafts	—	(898)
	<hr/>	<hr/>
	<u>62,713</u>	<u>109,537</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, 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 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 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 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.

Certain comparative figures have been reclassified to conform with current period's presentation.

### 3. Turnover

	Three months ended 30th September, 2003 (unaudited) HK\$'000		Six months ended 30th September, 2003 (unaudited) HK\$'000	
	2002 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2002 (unaudited) HK\$'000

An analysis of the Group's turnover is as follows:

Music production and distribution				
– sales of albums	11,612	17,345	28,238	31,137
– licence income	4,989	7,043	12,651	16,171
	<u>16,601</u>	<u>24,388</u>	<u>40,889</u>	<u>47,308</u>
Production and distribution of films and television programmes and licensing of the corresponding distribution rights	180,955	5,345	185,913	8,283
Artiste management fee income	6,590	6,545	14,358	11,179
Event production				
– gross revenue from self-organised event	—	9,063	—	9,063
– share of net income from jointly organised event	—	1	—	18
	<u>—</u>	<u>9,064</u>	<u>—</u>	<u>9,081</u>
	<u>204,146</u>	<u>45,342</u>	<u>241,160</u>	<u>75,851</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 follows:

##### (a) By activity

	Six months ended 30th September, 2003		2002	
	Turnover (unaudited) HK\$'000	Contribution to net profit for the period (unaudited) HK\$'000	Turnover (unaudited) HK\$'000	Contribution to net loss for the period (unaudited) HK\$'000
Music production and distribution	40,889	6,533	47,308	864
Film and television programme production, distribution and licensing	185,913	6,913	8,283	(12,480)
Artiste management	14,358	7,217	11,179	3,509
Event production	—	184	9,081	359
	<u>241,160</u>	<u>20,847</u>	<u>75,851</u>	<u>(7,748)</u>
Other operating income not allocated to major activities		253		709
Unallocated corporate expenses		(2,050)		(2,585)
Profit/(Loss) from operations		19,050		(9,624)
Finance costs		(2,991)		(1,751)
Share of results of associate		—		—
Profit/(Loss) before taxation		16,059		(11,375)
Taxation		—		—
Profit/(Loss) after taxation		16,059		(11,375)
Minority interests		694		—
Net profit/(loss) for the period		<u>16,753</u>		<u>(11,375)</u>

##### (b) By geographical market

	Six months ended 30th September,	
	2003 Turnover (unaudited) HK\$'000	2002 Turnover (unaudited) HK\$'000
Greater China		
– Hong Kong	71,353	68,564
– Mainland China	4,549	2,007
– Taiwan	6,540	2,918
North America	136,507	—
Other areas	22,211	2,362
	<u>241,160</u>	<u>75,851</u>

## 5. Profit/(Loss) from Operations

	Three months ended 30th September, 2003 (unaudited) HK\$'000		Six months ended 30th September, 2003 (unaudited) HK\$'000	
	2002 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Profit/(Loss) from operations has been arrived at after charging:				
Amortisation of film rights charged to cost of film and television programme production and distribution	146,507	4,559	150,224	7,628
Depreciation of property, plant and equipment	<u>277</u>	<u>398</u>	<u>533</u>	<u>855</u>

## 6. Finance Costs

	Three months ended 30th September, 2003 (unaudited) HK\$'000		Six months ended 30th September, 2003 (unaudited) HK\$'000	
	2002 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Interest on:				
– bank borrowings	615	2,164	1,633	3,839
– other borrowings	<u>1,347</u>	<u>963</u>	<u>2,755</u>	<u>1,751</u>
Total borrowing costs	1,962	3,127	4,388	5,590
Less: Amount capitalised in film rights	<u>(380)</u>	<u>(2,164)</u>	<u>(1,397)</u>	<u>(3,839)</u>
	<u>1,582</u>	<u>963</u>	<u>2,991</u>	<u>1,751</u>

## 7. Taxation

No provision for Hong Kong Profits Tax has been made for the Half Yearly Period and the corresponding period in 2002 as the estimated assessable profits for both periods were wholly absorbed by tax losses brought forward.

The Group is not subject to taxation in any other jurisdiction in which it operates during the Half Yearly Period and the corresponding period in 2002.

The Group had no share of taxation in the associate during the Half Yearly Period and the corresponding period in 2002.

The Group have no significant deferred taxation in respect of the Half Yearly 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.

## 8. Earnings/(Loss) per Share

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

Earnings/(Loss):	Three months ended 30th September,		Six months ended 30th September,	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Net profit/(loss) for the period and profit/(loss) for the purpose of basic earnings/(loss) per share	15,340	(10,245)	16,753	(11,375)

### Number of shares:

Weighted average number of shares for the purpose of basic earnings/(loss) per share	260,000,000	260,000,000	260,000,000	260,000,000
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Diluted earnings/(loss) per share has not been presented for the periods as the Company had no dilutive potential ordinary shares for these periods.

## 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\$821,000, disposed of property, plant and equipment with aggregate net book value of approximately HK\$3,000 and spent approximately HK\$9,418,000 on cost of film rights.

## 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, 2003 (unaudited) HK\$'000</b>	<b>31 st March, 2003 (audited) HK\$'000</b>
Current	6,698	9,285
Overdue		
0 – 30 days	8,441	4,476
31 – 60 days	5,357	2,340
61 – 90 days	3,600	496
over 90 days	540	434
	<u>24,636</u>	<u>17,031</u>

## 11. Trade Payables

The following is an aged analysis of trade payables:

	<b>30th September, 2003 (unaudited) HK\$'000</b>	<b>31st March, 2003 (audited) HK\$'000</b>
Current	264	3,877
Overdue		
0 – 30 days	2,963	2,339
31 – 60 days	1,862	733
61 – 90 days	765	577
over 90 days	997	1,555
	<u>6,851</u>	<u>9,081</u>

## 12. Secured Bank Loan

During the Half Yearly Period, the Group repaid the bank loan in the amount of approximately HK\$177,726,000, which bears interest at prevailing market rates.

### 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:

	<b>30th September, 2003 (unaudited) HK\$'000</b>	<b>31st March, 2003 (audited) HK\$'000</b>
Within one year	2,414	2,475
In the second to fifth year inclusive	1,132	2,327
	<u>3,546</u>	<u>4,802</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\$17,737,000 (At 31st March, 2003: HK\$19,784,000) and approximately HK\$5,473,000 (At 31st March, 2003: HK\$6,823,000) respectively in respect of artiste fees and film production costs.

### 14. Related Party Transactions

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

	<b>Six months ended 30th September, 2003 (unaudited) HK\$'000</b>	<b>2002 (unaudited) HK\$'000</b>
Advertising and promotion expenses paid	475	410
Car park rentals paid	69	59
Corporate secretarial fee paid	160	59
Fees paid for back office support services (including accounting, tax and financial services, internal auditing, human resources and administrative services)	174	71
Fees paid for other professional services (including information technology, legal and secretarial services)	344	634
Interest paid to ultimate holding company	2,755	1,751
Management fees and air-conditioning charges paid	348	202
Operating lease rentals paid	<u>1,084</u>	<u>778</u>

Certain directors and substantial shareholders of the Company have beneficial or deemed interests in the above related parties.



## DIVIDEND

No dividend was paid during the Half Yearly Period. The Board does not recommend the payment of an interim dividend for the Half Yearly Period (2002: Nil).

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

As at 30th September, 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

<b>Name of director</b>	<b>Nature of interests</b>	<b>Type and number of shares held</b>	<b>Percentage holding</b>
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 (Note 1)	Family	1 ordinary share of US\$1.00 each	100%
Jumbo Wealth (Note 1)	Family	1 ordinary share of US\$1.00 each	100%
Charron Holdings Limited ("Charron") (Note 2)	Family	1 ordinary share of US\$1.00 each	100%
Emperor International Holdings Limited ("Emperor International") (Note 2)	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.

Save as disclosed above, as at 30th September, 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.

## **SHARE OPTIONS AND 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 September, 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 September, 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 September, 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 JCE Movies Limited (formerly known as JC Emperor Movies Limited) (“JCE”), 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 JCE 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 JCE 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 any 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, except that full board meeting was not held every three months.

## **PURCHASE, SALE OR 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, 2003