



EEG

EMPEROR ENTERTAINMENT GROUP LIMITED
英皇娛樂集團有限公司

(Incorporated in Bermuda with limited liability)



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 (“Quarterly Period”) and nine months (“Nine-Month Period”) ended 31st December, 2003, the results of the Company and its subsidiaries (collectively referred to as the “Group”) recorded net profits of approximately HK\$2.8 million and HK\$19.6 million respectively, as compared with net losses of approximately HK\$5.3 million and HK\$16.7 million for the last corresponding periods. Turnover of the Group during the Quarterly Period and the Nine-Month Period increased to approximately HK\$97.6 million and HK\$338.7 million respectively, as compared with turnover of approximately HK\$45.5 million and HK\$121.4 million for the previous corresponding periods. The substantial improvement was mainly attributable to the performance of the film and television programme production and distribution sector.

OPERATION REVIEW

Music Production and Distribution

During the Nine-Month Period, the Group’s performance in this business sector had been outstanding. Up to the date of this report, the Group and its artistes won 122 awards, as compared with 101 awards in the previous corresponding period. The awards included, inter alia, Four Electronic Media Syndicated Awards (Outstanding Performance Award – Gold), Four Electronic Media Syndicated Awards (Best Song Award), Four Electronic Media Syndicated Awards (Grand Media Award – Singer), CR2 903 Ultimate Song Chart Awards (Super Charged Award), RTHK Best-selling Singers, RTHK Song of the Year and Metro Radio Hit Best Female and Male Singers.

During the Nine-Month Period, the Group released 48 albums (previous: 50 albums), out of which 46 albums were for the Group’s own artistes and two belonged to international labels. Gross profit from this business sector soared by 39% during the Nine-Month Period.

Film and Television Programme Production and Distribution

There was a marked increase in contribution from this business sector for the Nine-Month Period. Turnover had increased by more than 13 times as compared with the last corresponding period. During the Nine-Month Period, the Group distributed a television series and released an Internet drama series and three films, of which the box office of “The Twins Effect” and “The Medallion” was particularly encouraging. The management expected the distribution of these films to continue to bring positive contributions to the results of the Group. The principal photography of another major production of the Group, tentatively entitled “The Twins Effect II” which starred the Group’s popular artistes – Twins, had recently commenced. As the Group’s experience grew, the management expected the performance of the Group in this sector to continue to improve.

OPERATION REVIEW *(Continued)*

Artiste Management

The Group recorded satisfactory performance in this sector. Income from artiste management for the Nine-Month Period soared by 33% as compared with the previous corresponding period.

Zhongbei Emperor School of Performance Arts, a college set up by the Group in Beijing, had recruited over 100 students. The training programme would last for one year and the Group would be able to source promising talents from the graduates.

During the Nine-Month Period, the Group recruited a new artiste in Hong Kong and another five in the People's Republic of China. At the end of Nine-Month Period, there were 32 artistes under the Group.

Event Production

During the Nine-Month Period, the Group co-organised two concerts with third parties. The concerts were well received by the public and the gross profit had increased by 69% as compared with the previous corresponding period. Two other concerts would be held shortly after the Nine-Month Period. The management expected this business sector to receive fruitful return in the coming periods.

PROSPECTS

The awards won by the Group and its artistes had demonstrated the popularity of the Group's artistes and confirmed the position of the Group in the music industry. The encouraging results of the film and television programme production and distribution sector during the Nine-Month Period highlighted the great potentiality of the Group in the sector. Backed by its strong artistes' base and repertoire, the management expected to sustain its continued improvement and all round development in various entertainment sectors.

RESULTS

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

	Notes	Three months ended 31st December,		Nine months ended 31st December,	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	2	97,551	45,518	338,711	121,369
Other operating income		2,049	2,141	5,176	5,850
Cost of music production and distribution		(8,790)	(19,361)	(31,279)	(56,139)
Cost of film and television programme production and distribution		(58,022)	(9,821)	(210,735)	(18,565)
Cost of self-organised events		–	(1,960)	–	(9,373)
Distribution costs		(14,829)	(6,827)	(39,720)	(15,343)
Administrative expenses		(14,430)	(13,503)	(39,574)	(41,236)
Profit/(Loss) from operations		3,529	(3,813)	22,579	(13,437)
Finance costs		(931)	(1,481)	(3,922)	(3,232)
Share of results of associate		–	–	–	–
Profit/(Loss) before taxation		2,598	(5,294)	18,657	(16,669)
Taxation	3	–	–	–	–
Profit/(Loss) before minority interests		2,598	(5,294)	18,657	(16,669)
Minority interests		229	–	923	–
Net profit/(loss) for the period		<u>2,827</u>	<u>(5,294)</u>	<u>19,580</u>	<u>(16,669)</u>
Earnings/(Loss) per share	4				
– basic		<u>1.09 cents</u>	<u>(2.04) cents</u>	<u>7.53 cents</u>	<u>(6.41) cents</u>
– diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</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). 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 for the adoption of SSAP 12 (Revised) "Income taxes" as described in the Group's first quarterly report 2003 issued on 12th August, 2003.

Certain comparative figures have been reclassified to conform with the current periods' presentation.

2. Turnover

	Three months ended 31st December,		Nine months ended 31st December,	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
An analysis of the Group's turnover is as follows:				
Music production and distribution				
– sale of albums	9,384	23,112	37,622	54,249
– licence income	7,242	4,595	19,893	20,766
	<u>16,626</u>	<u>27,707</u>	<u>57,515</u>	<u>75,015</u>
Production and distribution of films and television programmes and licensing of the corresponding distribution rights	<u>71,050</u>	<u>10,848</u>	<u>256,963</u>	<u>19,131</u>
Artiste management fee income	<u>7,798</u>	<u>5,439</u>	<u>22,156</u>	<u>16,618</u>
Event production				
– gross revenue from self-organised events	–	1,495	–	10,558
– share of net income from jointly organised events	2,077	29	2,077	47
	<u>2,077</u>	<u>1,524</u>	<u>2,077</u>	<u>10,605</u>
	<u>97,551</u>	<u>45,518</u>	<u>338,711</u>	<u>121,369</u>

Notes: (Continued)

3. Taxation

No provision for Hong Kong Profits Tax has been made for the Nine-Month 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 Nine-Month Period and the corresponding period in 2002.

The Group had no share of taxation in the associate during the Nine-Month Period and the corresponding period in 2002.

The Group have no significant deferred taxation in respect of the Nine-Month 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/(loss) per share is based on the following unaudited data:

Earnings/(Loss):	Three months ended		Nine months ended	
	31st December,		31st December,	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net profit/(loss) for the period and profit/(loss) for the purpose of basic earnings/(loss) per share	<u>2,827</u>	<u>(5,294)</u>	<u>19,580</u>	<u>(16,669)</u>
Number of shares:				
Weighted average number of shares for the purpose of basic earnings/(loss) per share	<u>260,000,000</u>	<u>260,000,000</u>	<u>260,000,000</u>	<u>260,000,000</u>

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

Notes: (Continued)

5. Movement of reserves

An analysis of the movement of reserves is 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
Exchange differences on translation of overseas operations not recognised in the consolidated income statement	-	-	-	(235)	-	(235)
Net loss for the period	-	-	-	-	(16,669)	(16,669)
At 31st December, 2002	105,614	91,063	75,000	(235)	(184,433)	87,009
Exchange differences on translation of overseas operations not recognised in the consolidated income statement	-	-	-	11	-	11
Net profit for the period	-	-	-	-	729	729
At 31st March, 2003	105,614	91,063	75,000	(224)	(183,704)	87,749
Share of reserve by a minority shareholder of a subsidiary	-	-	-	3	-	3
Exchange differences on translation of overseas operations not recognised in the consolidated income statement	-	-	-	165	-	165
Net profit for the period	-	-	-	-	19,580	19,580
At 31st December, 2003	<u>105,614</u>	<u>91,063</u>	<u>75,000</u>	<u>(56)</u>	<u>(164,124)</u>	<u>107,497</u>

DIVIDEND

No dividend was paid during the Nine-Month Period. The Board does not recommend the payment of dividend for the Nine-Month Period (2002: Nil).

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

As at 31st December, 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 ("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:

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

(a) Long position in shares in the Company

Name of director	Nature of interests	Number of ordinary shares held	Percentage holding
Ms. Luk Siu Man, Semon ("Ms. Semon Luk") (Note)	Family	192,182,000	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.

(b) Long positions in shares in associated corporations

Name of associated corporation	Nature of interests	Number of ordinary shares held	Percentage holding
Surplus Way (Note 1)	Family	1	100%
Jumbo Wealth (Note 1)	Family	1	100%
Charron Holdings Limited ("Charron") (Note 2)	Family	1	100%
Emperor International Holdings Limited ("Emperor International") (Note 2)	Family	64,567,475	74.79%

Notes:

- Surplus Way was the registered owner of 192,182,000 shares, representing 73.92% of the entire 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. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the share capital of 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 share capital of Surplus Way and Jumbo Wealth respectively.

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

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 interests of The A & A Unit Trust in Surplus Way and Charron, both Charron and Emperor International were associated corporations of the Company. 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 31st December, 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.

DIRECTORS' RIGHT TO ACQUIRE SHARES *(Continued)*

As at 31st December, 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 31st December, 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	Number of ordinary shares held	Percentage holding
Surplus Way <i>(Note 1)</i>	Beneficial	192,182,000	73.92%
Jumbo Wealth <i>(Note 1)</i>	Trustee	192,182,000	73.92%
GZ Trust <i>(Note 1)</i>	Trustee	192,182,000	73.92%
Mr. Albert Yeung <i>(Note 1)</i>	Founder of Trust	192,182,000	73.92%
South China Securities Limited	Beneficial	20,100,000	7.73%
South China Brokerage Company Limited	Interest in a controlled corporation	20,100,000	7.73%
East Hill Development Limited	Interest in a controlled corporation	20,100,000	7.73%
Tek Lee Finance and Investment Corporation Limited	Interest in a controlled corporation	20,100,000	7.73%
South China (BVI) Limited	Interest in a controlled corporation	20,100,000	7.73%
South China Holdings Limited	Interest in a controlled corporation	20,100,000	7.73%
Bannock Investment Limited	Interest in a controlled corporation	20,100,000	7.73%

INTERESTS DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long position in shares in the Company *(Continued)*

Name	Capacity/ Nature of interests	Number of ordinary shares held	Percentage holding
Earntrade Investments Limited	Interest in a controlled corporation	20,100,000	7.73%
Parkfield Holdings Limited	Interest in a controlled corporation	20,100,000	7.73%
Ronastar Investments Limited	Interest in a controlled corporation	20,100,000	7.73%
Fung Shing Group Limited	Interest in a controlled corporation	20,100,000	7.73%
Ms. Cheung Choi Ngor	Persons acting in concert	20,100,000	7.73%
Mr. Richard Howard Gorges	Persons acting in concert	20,100,000	7.73%
Mr. Ng Hung Sang, Robert ("Mr. Robert Ng")	Persons acting in concert	20,100,000	7.73%
Ms. Ng Lai King, Pamela ("Ms. Pamela Ng") <i>(Note 2)</i>	Spouse	20,100,000	7.73%

Notes:

1. 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. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the 192,182,000 shares held by Surplus Way. 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.
2. Ms. Pamela Ng, spouse of Mr. Robert Ng, was also deemed to be interested in the 20,100,000 shares in which Mr. Robert Ng was interested by virtue of the SFO.

Save as disclosed above, as at 31st December, 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 (“JCE”), a company engaged in the production and distribution of movies. Besides, the Trust also indirectly held 100% interest in Million Harvest Limited (“Million Harvest”), a company which carried on the business of television programme production and artiste management. 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 and Million Harvest 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 and Million Harvest 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 members of the audit committee.

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

During the Nine-Month 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, 11th February, 2004