

EEG Annual Report 2003 - 2004



EEG

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.

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Directors

Luk Siu Man, Semon* (*Chairperson*)
Ng Sui Wan alias Ng Yu
(*Chief Executive Officer*)
Wong Chi Fai
Fan Man Seung, Vanessa
Chan Kong Sang, Jackie*
So Shu Fai*
Wong Ching Yue**
Tso Hon Sai, Bosco**

* *Non-executive Directors*

** *Independent Non-executive Directors*

Company Secretary

Mok Fung Lin, Ivy, LL.B (Hons) P. C. LL, MBA

Compliance Officer

Wong Chi Fai, FCCA, AHKSA

Qualified Accountant

Lau Wei Fan, CPA (Aust), AHKSA

Authorised Representatives

Fan Man Seung, Vanessa
Mok Fung Lin, Ivy

Audit Committee

Wong Ching Yue
Tso Hon Sai, Bosco

Auditors

Deloitte Touche Tohmatsu

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Office

28th Floor
Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

Registrars (in Bermuda)

Butterfield Fund Services (Bermuda)
Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Registrars (in Hong Kong)

Secretaries Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Bankers

The Hongkong and Shanghai Banking
Corporation Limited
Allied Irish Banks plc

Website

<http://www.eegmusic.com>

GEM Stock Code

8078

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of Emperor Entertainment Group Limited (the “Company”) will be held at 25th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on 26th August, 2004 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st March, 2004.
2. To re-elect retiring directors and to fix directors’ remuneration and to grant power to the board of directors to appoint additional director(s).
3. To re-appoint auditors and to authorise the board of directors to fix their remuneration.
4. As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

(A) **“THAT**

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

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

- (a) the conclusion of the next annual general meeting of the Company;

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

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

(B) **“THAT**

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

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

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and

Notice of Annual General Meeting

- (c) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution in general meeting.”
- (C) **“THAT** conditional upon resolution no. 4(B) above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors as mentioned in resolution no. 4(B) above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to resolution no. 4(A) above.”
5. To consider as special business and, if thought fit, pass, with or without amendments, the following resolution as an ordinary resolution:

“THAT conditional on the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) approving the share option scheme (a copy of which is produced to the meeting marked “A” and signed by the Chairman of this meeting for the purpose of identification) (“New Share Option Scheme”) and granting listing of, and permission to deal in, the shares in the capital of the Company (“Shares”) which may fall to be issued pursuant to the New Share Option Scheme, the New Share Option Scheme be and is hereby approved and adopted by the Company with effect from the date of the New Share Option Scheme becoming unconditional and the existing share option scheme adopted by the shareholders of the Company on 30th November, 2000 be and is hereby terminated, and the Directors be and are hereby authorised to implement and administer the New Share Option Scheme to the extent permissible under the memorandum of association and bye-laws of the Company, the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and the rules of the New Share Option Scheme, the Directors may vote in respect of any resolution(s) under or affecting the New Share Option Scheme (including the granting of options thereunder or approving the allotment and issue of Shares upon exercise of options thereunder) notwithstanding any interest(s) of any Director(s).”

6. To consider as special business and, if thought fit, pass, with or without amendments, the following resolution as a Special Resolution:

“THAT the existing Bye-laws of the Company be and are hereby amended as follows:

- (a) By inserting the following new definition of “associate” in Bye-law 1 immediately after the definition of “Act”:

““associate” the meaning attributed to it in the rules of the Designated Stock Exchange;”;

- (b) By deleting the words “Section 2 of the Securities and Futures (Clearing Houses) Ordinance of Hong Kong” and substituting therefor the words “Schedule 1 to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)” in the definition of “clearing house” in Bye-law 1;
- (c) By inserting the words “and including where the representation takes the form of electronic display, provided that both the mode of service of the relevant document or notice and the Member’s election comply with all applicable Statutes, rules and regulations” immediately after the words “in a visible form” at the end of Bye-law 2(e);
- (d) By replacing the full stop “.” appearing at the end of Bye-law 2(j) with a semi-colon “;”, by inserting the word “and” immediately after the semi-colon and by inserting the following new Bye-law 2(k):
 - “(k) references to a document being executed include reference to it being executed under hand or under seal or by electronic signature or by any other method and reference to a notice or document include a notice or document recorded or stored in any digital, electronic, electrical magnetic or other retrievable form or medium and information in visible form whether having physical substance or not.”;
- (e) By inserting the words “unless otherwise required by any rules of the Designated Stock Exchange” immediately after the words “on a poll” at the end of Bye-law 68;
- (f) By re-numbering existing Bye-laws 76 as Bye-law 76 (1) and inserting the following paragraph as new Bye-law 76 (2) immediately after:
 - “(2) Where any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.”;
- (g) By deleting Bye-law 88 in its entirety and replacing therewith the following:
 - “88. No person, other than a retiring Director, shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose that person for election as a Director and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the Office, the head office or the Registration Office provided that the minimum length of the

Notice of Annual General Meeting

period during which such Notices are given shall be at least seven (7) days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notices shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.”; and

- (h) By deleting Bye-law 103 in its entirety and replacing therewith the following new Bye-law 103:

“103. (1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted and he shall not be counted in the quorum of such resolution of the Board but this prohibition shall not apply to any of the following matters namely:

- (i) the giving of any security or indemnity either:
 - (a) to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or
 - (b) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (ii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (iii) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:
 - (a) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme involving the issue or grant of options over shares or other securities by the Company under which the Director or his associate(s) may benefit; or
 - (b) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, their associates and employees of the Company or any of its subsidiaries, and does not provide in respect of any Director or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

Notice of Annual General Meeting

(2) A company shall be deemed to be a company in which a Director and/or his associate(s) in aggregate have an interest of five (5) per cent. or more if and so long (but only if and so long as) he and/or his associate(s) (either directly or indirectly) are in aggregate the holders of or beneficially interested in five (5) per cent. or more of the issued shares of any class of the equity share capital of such company or of the voting rights available to member of such company (or of any third company through which his/their interest is derived). For the purpose of this paragraph, there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder and any shares which carry no voting right at general meeting and very restrictive dividend and return of capital right.

(3) Where a company in which a Director and/or his associate(s) in aggregate have an interest of five (5) per cent. or more is materially interested in a transaction, then that Director and/or his associate(s) (as the case may be) shall also be deemed materially interested in such transaction.

(4) If any question shall arise at any meeting of the Directors as to the materiality of the interest of a Director (other than the chairman of the meeting) or his associate(s) or as to the entitlement of any Director (other than such chairman) to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director and/or his associate(s) as known to such Director has not been fairly disclosed to the Directors. If any question as aforesaid shall arise in respect of the chairman of the meeting, such question shall be decided by a resolution of the Directors (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman and/or his associate(s) as known to such chairman has not been fairly disclosed to the Directors."

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

Hong Kong, 30th June, 2004

Notice of Annual General Meeting



Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Office:

28th Floor
Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

Notes:

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



Luk Siu Man, Semon

Non-executive Director and Chairperson

Aged 48, graduated from The University of Toronto with a bachelor degree in Commerce. She worked in the banking industry for almost 10 years. She is also the chairperson of Emperor International Holdings Limited and Emperor (China Concept) Investments Limited, the shares of both of which are listed on the Main Board of the Stock Exchange. She joined the Group in November 2000.

Ng Sui Wan alias Ng Yu

Executive Director and Chief Executive Officer

Aged 54, joined the Group in December 2001. He is responsible for the corporate and business strategies, and operations of the Group. Prior to this date, he worked for Celestial Pictures Limited, an associated company of Television Broadcasts Limited ("TVB"), as General Manager, in charge of motion film production. In 1996, he worked for Capital Artists Limited for four years holding the position as General Manager. During that period, he had been involved in record production, publishing and distribution and talent management where he has discovered and unfolded the talent of Eason Chan, Miriam Yeung and Edmond Leung. Before, he was Production Controller of TVB for 20 years, commanding television programme production and creative teams.

Wong Chi Fai

Executive Director and Compliance Officer

Aged 48, is an associate of the Hong Kong Society of Accountants and a fellow of the Association of Chartered Certified Accountants. He is responsible for the overall corporate and business planning of the Group. He has over 20 years' experience in finance and management spanning a diverse range of businesses from manufacturing to property investment and development. He is also the joint managing director of Emperor International Holdings Limited and a director of Emperor (China Concept) Investments Limited, the shares of both of which are listed on the Main Board of the Stock Exchange. He joined the Group in January 1994.

Fan Man Seung, Vanessa

Executive Director

Aged 41, is a lawyer by profession in Hong Kong. She is an associate of the Hong Kong Society of Accountants and a member of the Association of Chartered Certified Accountants. She also holds a master degree in Business Administration. She is responsible for the overall corporate and business planning of the Group. She is also the joint managing director of Emperor International Holdings Limited and a director of Emperor (China Concept) Investments Limited, the shares of both of which are listed on the Main Board of the Stock Exchange. She joined the Group in January 1994.

Chan Kong Sang, Jackie, MBE, SBS

Non-executive Director

Aged 50, is an international renowned actor and entertainer. He has been awarded fellowship by The Hong Kong Academy for Performing Arts. He was chosen as one of The Ten Outstanding Young Persons of Hong Kong in 1986 and The Outstanding Young Persons of the World by Jaycees International in 1988. In 1992, the Taiwan Government honoured him as one of The Five Most Outstanding Young Chinese of the World. He was made a Member of the Most Excellent Order of the British Empire (MBE) in 1989 and was conferred the Honorary Doctorate of Social Science by the Hong Kong Baptist University in 1996. He was awarded the Silver Bauhinia Star by the Government of Hong Kong Special Administrative Region of the People's Republic of China in 1999. He is the chairman of Jade Dynasty Food Culture Group Limited, the shares of which are listed on the Main Board of the Stock Exchange. He joined the Group in November 2000.

So Shu Fai

Non-executive Director

Aged 53, is a director of The University of Hong Kong Foundation for Educational Development and Research. He is a committee member of the 10th National Committee of the Chinese People's Political Consultative Conference, Vice President of Chinese Culture Promotion Society (CCPS) and an associate member of the Institute of Chartered Secretaries and Administrators. He holds a bachelor degree of Science from The University of Hong Kong and a doctoral degree in Management Studies. He joined the Group in July 2001.

Wong Ching Yue

Independent Non-executive Director

Aged 55, is a senior counsel, barrister-at-law, practising in Hong Kong since 1975. He joined the Group in November 2000.

Tso Hon Sai, Bosco

Independent Non-executive Director

Aged 39, is a solicitor practising in Hong Kong since 1990. He is a partner of Bosco Tso & Partners. He graduated from King's College London in the United Kingdom in 1987. He joined the Group in November 2000.

Mok Fung Lin, Ivy

Company Secretary

Aged 39, is a lawyer by profession in Hong Kong and the United Kingdom, and holds a master degree in Business Administration. She is also an executive director of Emperor International Holdings Limited and Emperor (China Concept) Investments Limited, the shares of both of which are listed on the Main Board of the Stock Exchange.

Albert Lee

Aged 50, joined the Group as chief executive officer of Emperor Motion Pictures Group, the film and television programme production and distribution arm of the Group, in May 2003. He graduated from the University of Wales, Institute of Science and Technology, with a bachelor of science degree in Economics in 1975. Prior to joining the Group, he has over 20 years' experience in the film industry. He is currently a member of the Election Committee for the Performing Arts sub-sector and has rendered his service in various public bodies in the media, communication and film sector, including acting as director of Hong Kong Kowloon New Territories Motion Picture Industry Association Ltd (MPIA) and honorary advisor to the Hong Kong International Film Festival.

Fok Man Hei, Mani

Aged 31, is the director of artiste management division of the Group and is responsible for overseeing the operations of the artiste management division of the Group in all aspects including artistes' albums, film production, television commercials, concerts etc. and providing guidance to certain artistes on personal and career developments. She has over 10 years' experience in the artiste management industry. Prior to joining the Group in 1993, she worked in the modeling and advertising industries. She possesses a detailed knowledge of and has a successful track record in the promotion of artistes like Nicholas Tse, Joey Yung and Twins in the industry.

For the financial year ended 31st March, 2004, the results of the Company and its subsidiaries (collectively referred to as the "Group") turned from the red to making a profit for the year. The Group recorded a net profit of approximately HK\$20.7 million, as compared with a net loss of approximately HK\$15.9 million for the previous year. Turnover of the Group for the year increased by 127% to approximately HK\$378.7 million as compared with approximately HK\$166.5 million for the previous year. The film and television programme production and distribution sector, in particular, had shown remarkable performance during the year due to release of two well received films, namely "The Twins Effect" and "The Medallion".

DIVIDEND

The board of directors (the "Board") of the Company does not recommend the payment of a dividend for the year ended 31st March, 2004.

OPERATION REVIEW

Music Production and Distribution

This business sector continued its steady growth. Gross profit in this business sector had increased by 5% as compared with the previous year due to better budgetary control and increased promotional sponsorship fee from customers.

During the year, the performance in this sector was outstanding. For the year 2003, the Group and its artistes won 178 awards, as compared with 104 awards in the previous year. Awards won by the Group included mega awards such as 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 year, the Group released 65 albums (2003: 71 albums), out of which 63 albums were for the Group's own artistes and two albums were for international labels.

Film and Television Programme Production and Distribution

This business sector contributed approximately HK\$261.4 million to the Group's turnover during the year. Gross profit of approximately HK\$46.2 million for the year was recorded in this sector.

OPERATION REVIEW *(Continued)*

Film and Television Programme Production and Distribution *(Continued)*

During the year, the Group released three films, a television programme and an Internet drama series. The box office of the two films "The Twins Effect" and "The Medallion" was particularly encouraging.

The production of another film of the Group, tentatively entitled "The Twins Effect II" was in the final stage of production and it was expected to be released shortly in Hong Kong. Another five films were in various stages of production. The management expected further release of films to bring more positive contributions to the results of the Group.

Artiste Management

The Group recorded satisfactory performance in this sector. Income from artiste management for the year soared by 36% to approximately HK\$30.3 million as compared with the previous year. During the year, the Group signed up seven new artistes in Hong Kong and the People's Republic of China ("PRC") and had entered into an agreement with a major management company in Korea to manage its artistes in Hong Kong, Taiwan, Singapore, Malaysia, the PRC and Thailand. Excluding the artistes from Korea, as at the end of the year, there were 31 artistes (2003: 30 artistes) under the Group.

Beijing Zhongbei Emperor School of Performance Arts, a college set up by the Group in Beijing, had recruited over 100 students. Some students had already been participating in films and television series and had attracted attention of overseas media. Graduation of students in the coming months would enable the Group to source more promising talents in the entertainment industry.

Event Production

During the year, five concerts were co-organised with third parties. The concerts were well received by the public and the media, and contributed a net profit of approximately HK\$6.9 million to the Group. The management expected to organise more concerts to enrich its income stream.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group mainly financed its operation and capital expenditure through internally generated cash flow from operation. The Group also utilised its operating fund to settle part of its loan facilities such as secured bank loan and unsecured loan from Surplus Way Profits Limited ("Surplus Way"), the substantial shareholder of the Company.

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

As at 31st March, 2004, the Group's current ratio based on current assets over current liabilities was 1.5 as compared to that of 1.1 in the preceding financial year. Current assets amounted to approximately HK\$271.6 million, comprising as to 70% film rights, inventories and record masters, 11% bank balances and cash held in hand (which were mainly denominated in U.S. dollars, Hong Kong dollars and Reminbi) and the remaining 19% trade receivables, prepayments and other receivables. Current liabilities amounted to approximately HK\$178.4 million, comprising as to 70% trade payables, other payables and accruals, 2% amount due to a related company and 28% unsecured loan from Surplus Way (which was denominated in Hong Kong dollars with interest at the Hong Kong prime rate and had no fixed repayment terms).

On the same date, advances from minority shareholders were approximately HK\$2.7 million which were denominated in Hong Kong dollars and Reminbi, unsecured, non-interest bearing and had no fixed repayment terms.

During the year, the Group repaid the secured bank loan in full through the proceeds received from distribution of a film and its operating fund. Together with the partial repayment of the unsecured loan from Surplus Way, the Group's gearing ratio (expressed as a percentage of total liabilities over total assets) improved by 21%, from 83% in the preceding financial year to 62% at the end of the year.

Save as disclosed above, the Group had no other significant external borrowings at the end of the year. With the borrowings and bank and cash held in hand mainly denominated in U.S. dollars, Hong Kong dollars and Reminbi, the management expected 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 31st March, 2004, the Group had 143 employees and total staff costs for the year was approximately HK\$37.8 million. All employees are under the remuneration policy of fixed monthly salary with discretionary bonus. The Company also adopted a share option scheme, details of which are set out in the section headed "Share Option Scheme and Directors' and Chief Executives' Rights to Acquire Shares or Debentures" on page 25.

Chairperson's Statement

PROSPECTS

Over the years, the Group has built up a strong artiste base and a solid repertoire, and gained valuable experience in the film production. The Group has by now secured a stable income stream from its various businesses. The management is confident that with the Group's improved expertise in various business sectors, the Group could achieve a fair market share in the entertainment industry.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude for the support of our shareholders, my fellow directors, staff and business associates for their commitment and support to the Group during the year.

By Order of the Board
Luk Siu Man, Semon
Chairperson

Hong Kong, 18th June, 2004

The directors of the Company present their annual report and the audited financial statements for the year ended 31st March, 2004.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 31 to the financial statements.

RESULTS

The results of the Group for the year ended 31st March, 2004 are set out in the consolidated income statement on page 32.

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

PROPERTY, PLANT AND EQUIPMENT

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

DIRECTORS

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

Executive directors:

Mr. Wong Chi Fai
Ms. Fan Man Seung, Vanessa
Mr. Ng Sui Wan (*alias Ng Yu*)

Non-executive directors:

Ms. Luk Siu Man, Semon (*Chairperson*)
Dr. Chan Kong Sang, Jackie
Dr. So Shu Fai

Independent non-executive directors:

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

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

DIRECTORS *(Continued)*

In accordance with Bye-laws 87(1) and 87(2) of the Company's Bye-laws, Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

On 21st September, 2001, Mr. Ng Sui Wan (alias Ng Yu) ("Mr. Ng Yu") entered into an employment contract (including the supplement thereto) with Emperor Entertainment (Hong Kong) Limited ("EEHK"), a wholly-owned subsidiary of the Company, in relation to his service as the Chief Executive Officer of the Company and its subsidiaries in connection with their business, for a term commencing from 1st December, 2001 until terminated by not less than three months' notice in writing served by either party on the other or payment in lieu of notice. On 17th September, 2003, Mr. Ng Yu entered into a further employment contract with EEHK which replaces the previous contract with effect from 10th December, 2003 until terminated by not less than three months' notice in writing served by either party on the other or payment in lieu of notice.

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

Ms. Luk Siu Man, Semon ("Ms. Semon Luk") and Dr. Chan Kong Sang, Jackie ("Dr. Jackie Chan") had been appointed for a term of two years commencing from 30th November, 2000 and expired on 29th November, 2002, with the term being renewed for a further term of two years commencing from 30th November, 2002 until terminated by not less than three months' notice in writing served by either party on the other. Dr. So Shu Fai, Mr. Wong Ching Yue and Mr. Tso Hon Sai, Bosco entered into service agreements with the Company for a term of two years commencing from 1st April, 2002, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

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

Name of counterparty	Nature of transaction	Terms	Amount for the year ended 31st March, 2004 HK\$'000
Strong Time Investments Limited (Note (1))	Operating lease rentals paid	20th January, 2003 to 31st March, 2005 at a monthly rental of HK\$83,000 (exclusive of rates, management fees and other outgoings charges)	996
	Management fees paid	20th January, 2003 to 31st March, 2005 at a monthly fee of HK\$31,697 (subject to adjustment)	346
	Operating lease rentals paid	1st September, 2002 to 31st March, 2005 at a monthly rental of HK\$30,000 (exclusive of rates, management fees and other outgoing charges)	360
	Management fees paid	1st September, 2002 to 31st March, 2005 at a monthly fee of HK\$11,375.30 (subject to adjustment)	119
Emperor International (Note (2))	Advertising fees paid	1st October, 2002 to 31st March, 2005 based on the pricing policy of its subsidiaries operating in the publishing business	673
	Fee paid for back office support services (including accounting, tax and financial services, internal auditing, human resources and administrative services)	1st October, 2002 to 31st March, 2005 based on the actual hours spent at a rate ranging from HK\$180 to HK\$1,000 per hour for accounting, tax and financial services and HK\$180 per hour for other back office support services	348
	Fee paid for professional services (including information technology, legal and secretarial services)	1st October, 2002 to 31st March, 2005 based on (i) HK\$100 to HK\$500 for each personal computer per month; (ii) HK\$200 to HK\$380 per hour; or (iii) HK\$7,000 to HK\$10,000 per month for different types of information technology services, and at a rate ranging from HK\$800 to \$2,000 per hour for legal and secretarial services	683

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS *(Continued)*

Name of counterparty	Nature of transaction	Terms	Amount for
			the year ended 31st March, 2004 HK\$'000
Headwise Investment Limited <i>(Note (3))</i>	Operating lease rentals paid	1st November, 2002 to 31st March, 2005 at a monthly rental of HK\$23,000 (exclusive of rates, management fees and other outgoings charges). The premises was temporarily vacated for one month for use by the landlord.	253
	Management fees paid	1st November, 2002 to 31st March, 2005 at a monthly fee of HK\$10,062.40 (subject to adjustment)	97
East Star Holding Limited <i>(Note (3))</i>	Operating lease rentals paid	1st November, 2002 to 31st March, 2005 at a monthly rental of HK\$29,000 (exclusive of rates, management fees and other outgoing charges)	348
	Management fees paid	1st November, 2002 to 31st March, 2005 at a monthly fee of HK\$10,649.10 (subject to adjustment)	115
Active Pace Investment Limited <i>(Note (3))</i>	Car park rentals paid	1st September, 2002 to 31st March, 2005 at a monthly fee of HK\$4,800	58
	Car park rentals paid	1st September, 2002 to 31st March, 2005 at a monthly fee of HK\$3,800	46
Blooming World Investment Limited <i>(Note (3))</i>	Car park rentals paid	1st September, 2002 to 31st March, 2005 at a monthly fee of HK\$3,800 and the agreement was rescinded on 15th August, 2003	17

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS *(Continued)*

Notes:

- (1) Strong Time Investments Limited is the signing agent of Emperor International Exchange (Hong Kong) Company Limited, in which Ms. Semon Luk was 100% interested as at 31st March, 2004.
- (2) Emperor International Holdings Limited ("Emperor International") is a listed company, 74.79% of the shares of which were registered in the name of and beneficially owned by Charron Holdings Limited ("Charron"). The entire issued share capital of Charron was held by Jumbo Wealth Limited ("Jumbo Wealth") on trust for The A & A Unit Trust, a unit trust under The 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 shares held by Charron. By virtue of the aforesaid interests of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and a director of the Company) was also deemed to be interested in 74.79% of the issued share capital held by Charron in Emperor International.
- (3) The counterparties are all indirect wholly-owned subsidiaries of Emperor International.

As announced by the Company on 1st August, 2002, (i) Yes Records Limited, a wholly-owned subsidiary of the Company, entered into four conditional tenancy agreements and three licence agreements (with one licence agreement rescinded on 15th August, 2003) with several connected persons (as defined in the GEM Listing Rules) in relation to the tenancy and licence of several office premises and car parking spaces; (ii) the Company entered into two agreements with a connected person (as defined in the GEM Listing Rules) in relation to the provision of back office services and professional services to the Group; and (iii) the Company entered into an agreement with a connected person (as defined in the GEM Listing Rules) for the provision of advertising space to the Group in the publications operated by certain subsidiaries of that connected person (collectively the "Continuing Connected Transactions").

The directors of the Company considered that (1) the renting of the office premises and car parking spaces mentioned in sub-paragraph (i) above would consolidate the operations of the Group into the same premises which would enhance the efficiency of management of the Group; (2) the back office services and professional services mentioned in sub-paragraph (ii) above would allow the Group to benefit from the economy of scale; and (3) the publications in relation to the advertising space mentioned in sub-paragraph (iii) above are ones among the leading publications in Hong Kong and that the advertising expenditure proposed was in the ordinary course of business of the Group.

Each of the Continuing Connected Transactions and the relevant annual caps were approved by the independent shareholders at the special general meeting of the Company held on 30th August, 2002.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS *(Continued)*

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

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

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

As at 31st March, 2004, 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 the Stock Exchange were as follows:

(a) Long position in shares of the Company

Name of director	Nature of interests	Number of ordinary shares held	Percentage holding
Ms. Semon Luk <i>(Note)</i>	Family	192,182,000	73.92%

Note: The shares were registered in the name of Surplus Way Profits Limited ("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. By virtue of the aforesaid interests of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and a 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 SECURITIES *(Continued)*

(b) Long positions in shares in associated corporations

Name of associated corporation	Nature of interests	Number of ordinary share(s) held	Percentage holding
Surplus Way <i>(Note (1))</i>	Family	1	100%
Jumbo Wealth <i>(Note (1))</i>	Family	1	100%
Charron <i>(Note (2))</i>	Family	1	100%
Emperor International <i>(Note (2))</i>	Family	64,567,475	74.79%

Notes:

- (1) Surplus Way was the registered owner of 192,182,000 shares, representing 73.92% of the 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. By virtue of the aforesaid interests of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and a 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 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 a 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 March, 2004, none of the directors or chief executives of the Company had any interests or short positions in shares, underlying shares or debentures of 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.

SHARE OPTION SCHEME AND DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Details of the Company's share option scheme adopted on 30th November, 2000 are set out in note 29 to the financial statements. The Company has not granted any option under the share option scheme since its adoption.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable any director or chief executive of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as known to the directors of the Company, as at 31st March, 2004, the persons or corporations (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 or as otherwise notified to the Company were as follows:

Long position in shares of the Company

Name	Capacity/ Nature of interests	Number of ordinary shares held	Percentage holding
Surplus Way (Note (1))	Beneficial	192,182,000	73.92%
Jumbo Wealth (Note (1))	Trustee	192,182,000	73.92%
GZ Trust Corporation ("GZ Trust") (Note (1))	Trustee	192,182,000	73.92%
Mr. Albert Yeung (Note (1))	Founder of the Trust	192,182,000	73.92%
South China Securities Limited	Beneficial	20,772,000	7.99%
South China Brokerage Company Limited	Interest in a controlled corporation	20,772,000	7.99%
East Hill Development Limited	Interest in a controlled corporation	20,772,000	7.99%
Tek Lee Finance and Investment Corporation Limited	Interest in a controlled corporation	20,772,000	7.99%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS (Continued)

Long position in shares of the Company (Continued)

Name	Capacity/ Nature of interests	Number of ordinary shares held	Percentage holding
South China (BVI) Limited	Interest in a controlled corporation	20,772,000	7.99%
South China Holdings Limited	Interest in a controlled corporation	20,772,000	7.99%
Bannock Investment Limited	Interest in a controlled corporation	20,772,000	7.99%
Earntrade Investments Limited	Interest in a controlled corporation	20,772,000	7.99%
Parkfield Holdings Limited	Interest in a controlled corporation	20,772,000	7.99%
Ronastar Investments Limited	Interest in a controlled corporation	20,772,000	7.99%
Fung Shing Group Limited	Interest in a controlled corporation	20,772,000	7.99%
Ms. Cheung Choi Ngor	Persons acting in concert	20,772,000	7.99%
Mr. Richard Howard Gorges	Persons acting in concert	20,772,000	7.99%
Mr. Ng Hung Sang, Robert ("Mr. Robert Ng")	Persons acting in concert	20,772,000	7.99%
Ms. Ng Lai King, Pamela ("Ms. Pamela Ng") (Note (2))	Spouse	20,772,000	7.99%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS (Continued)

Long position in shares of the Company (Continued)

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. 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 Securities" above.
- (2) Ms. Pamela Ng, spouse of Mr. Robert Ng, was also deemed to be interested in the 20,772,000 shares in which Mr. Robert Ng was interested by virtue of the SFO.

Save as disclosed above, as at 31st March, 2004, the directors of the Company were not aware of any other person or corporation (other than the directors or chief executives of the Company) who had any interests or short positions in the shares, underlying shares or debentures of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for approximately 55% of the turnover of the Group and the largest customer accounted for approximately 41% of the Group's turnover.

The five largest suppliers contributed to less than 30% of the Group's total purchases and services received for the year.

None of the directors, their associates and shareholders of the Company (which to the knowledge of the directors of the Company owns more than 5% of the issued capital of the Company) had any interest in any of the five largest customers of the Group for the year ended 31st March, 2004.

DONATIONS

During the year, the Group made donations amounting to HK\$600,000.

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

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

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

The Company had complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules during the year, except that full board meeting was not held every three months.

An audit committee was established on 30th November, 2000 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The two independent non-executive directors of the Company, namely, Mr. Wong Ching Yue and Mr. Tso Hon Sai, Bosco, have been appointed as the members of the audit committee.

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

COMPETING INTERESTS

Dr. Jackie Chan, a non-executive director of the Company, is also a director and shareholder of Climbing High Productions Limited, Jackie & Willie Productions Limited, Jackie & Willie Enterprises Limited and Filmtech Lighting Services Limited and he is a director of Tai Wui Motion Pictures Company Limited (together referred as the "Movies Companies"), the business of which involves production and distribution of movies. 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.

COMPETING INTERESTS *(Continued)*

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. The Trust also indirectly held 100% interest in Prime Time (International) Entertainment Limited ("Prime Time") (formerly known as Million Harvest Limited), a company engaged in the business of television programme production and artiste management. The Trust also indirectly held 79% shareholding of Great Creator Limited, with a trade name of Cool Factory Event Marketing and Talent Agency ("Cool Factory"), a company engaged in the business of talent and model management and agency. The businesses of JCE, Prime Time and Cool Factory may constitute competing business of the Group. By virtue of the Trust's interest in the aforesaid businesses, Ms. Semon Luk, spouse of Mr. Albert Yeung, is also deemed to be interested in the businesses. 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, her aforesaid deemed interest in the businesses of JCE, Prime Time and Cool Factory 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.

AUDITORS

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

On behalf of the Board

Luk Siu Man, Semon
Chairperson

Hong Kong, 18th June, 2004

Deloitte.

德勤

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

We have audited the financial statements on pages 32 to 70 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

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

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st March, 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 18th June, 2004

Consolidated Income Statement

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For the year ended 31st March, 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Turnover	4 & 5	378,729	166,482
Other operating income		6,725	7,447
Cost of music production and distribution		(45,582)	(67,592)
Cost of self-organised events		–	(9,050)
Cost of film and television programme production and distribution		(215,226)	(32,337)
Distribution costs		(43,725)	(24,520)
Administrative expenses		(56,241)	(51,554)
Profit (loss) from operations	6	24,680	(11,124)
Finance costs	8	(4,492)	(4,820)
Share of results of associate		–	(3)
Profit (loss) before taxation		20,188	(15,947)
Taxation	9	(632)	–
Profit (loss) before minority interests		19,556	(15,947)
Minority interests		1,100	7
Net profit (loss) for the year		20,656	(15,940)
Earnings (loss) per share – basic	10	7.94 cents	(6.13) cents

Consolidated Balance Sheet

At 31st March, 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Non-current assets			
Property, plant and equipment	11	3,390	2,130
Interests in associate	13	–	–
Prepayments and other receivables	14	13,007	22,571
Film rights	15	4,828	3,163
		21,225	27,864
Current assets			
Film rights	15	184,325	351,698
Inventories and record masters	16	4,765	3,358
Trade receivables	17	20,762	17,031
Prepayments and other receivables	14	30,852	36,057
Tax recoverable		405	–
Bank balances and cash		30,484	78,727
		271,593	486,871
Current liabilities			
Trade payables	18	12,375	9,081
Other payables and accrued charges		111,454	118,639
Amount due to ultimate holding company	19	49,930	117,780
Amount due to a related company	20	4,228	–
Secured bank loan due within one year	21	–	177,726
Bank overdrafts		368	1,081
		178,355	424,307
Net current assets		93,238	62,564
Total assets less current liabilities		114,463	90,428
Minority interests	22	735	(1,921)
Non-current liabilities			
Loans from minority shareholders of subsidiaries	22	2,725	2,000
		111,003	90,349
Capital and reserves			
Share capital	23	2,600	2,600
Reserves		108,403	87,749
Shareholders' funds		111,003	90,349

The financial statements on pages 32 to 70 were approved and authorised for issue by the Board of Directors on 18th June, 2004 and are signed on its behalf by:

Wong Chi Fai
Director

Fan Man Seung, Vanessa
Director

Balance Sheet

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At 31st March, 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Non-current assets			
Interests in subsidiaries	12	112,882	113,862
Current assets			
Prepayments		147	147
Bank balance		1	–
		148	147
Current liabilities			
Other payables		571	854
Net current liabilities		(423)	(707)
Net assets		112,459	113,155
Capital and reserves			
Share capital	23	2,600	2,600
Reserves	24	109,859	110,555
Shareholders' funds		112,459	113,155

Wong Chi Fai
Director

Fan Man Seung, Vanessa
Director

Consolidated Statement of Changes in Equity

For the year ended 31st March, 2004

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000 (Note 24(c))	Special reserve HK\$'000 (Note 24(d))	Translation reserve HK\$'000	Accumulated losses HK\$'000 (Note 24(e))	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	-	-	-	-	(224)	-	(224)
Net loss for the year	-	-	-	-	-	(15,940)	(15,940)
At 31st March, 2003	2,600	105,614	91,063	75,000	(224)	(183,704)	90,349
Exchange differences on translation of overseas operations not recognised in the consolidated income statement	-	-	-	-	(2)	-	(2)
Net profit for the year	-	-	-	-	-	20,656	20,656
At 31st March, 2004	2,600	105,614	91,063	75,000	(226)	(163,048)	111,003

Consolidated Cash Flow Statement

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For the year ended 31st March, 2004

	2004	2003
Note	HK\$'000	HK\$'000
Cash flows from operating activities		
Profit (loss) before taxation	20,188	(15,947)
Adjustments for:		
Share of results of associate	–	3
Interest expense	4,492	4,820
Interest income	(101)	(62)
Depreciation of property, plant and equipment	1,627	1,629
Loss on disposal of property, plant and equipment	–	1,058
Amortisation of film rights	212,177	29,634
Impairment loss on film rights recognised	–	539
Effect of foreign exchange rate changes on intercompany balances	(20)	(118)
Operating cash flows before movements in working capital	238,363	21,556
Increase in film rights	(45,072)	(91,714)
(Increase) decrease in inventories and record masters	(1,407)	701
Increase in trade receivables	(3,731)	(7,464)
Decrease (increase) in prepayments and other receivables	14,769	(23,942)
Increase (decrease) in trade payables	3,294	(10,247)
(Decrease) increase in other payables and accrued charges	(7,185)	48,430
Increase (decrease) in amount due to a related company	4,228	(870)
Cash from (used in) operations	203,259	(63,550)
Hong Kong Profits Tax paid	(1,037)	–
Net cash from (used in) operating activities	202,222	(63,550)
Cash flows from investing activities		
Interest received	101	62
Proceeds from disposal of property, plant and equipment	5	7
Purchase of property, plant and equipment	(2,892)	(1,124)
Decrease in pledged bank deposits	–	1,200
Purchase of subsidiaries (net of cash and cash equivalents acquired)	–	297
Increase in amount due from associate	–	(3)
Net cash (used in) from investing activities	(2,786)	439

Consolidated Cash Flow Statement

For the year ended 31st March, 2004

	2004	2003
	HK\$'000	HK\$'000
Cash flows from financing activities		
Capital contribution from minority shareholder of a subsidiary	3,774	23
Loan from minority shareholder of a subsidiary	725	–
Repayment of bank loan	(177,726)	–
Net cash (outflow to) inflow from ultimate holding company	(67,850)	62,050
Interest paid	(5,889)	(11,793)
Bank loan raised	–	26,530
Net cash (used in) from financing activities	(246,966)	76,810
Net (decrease) increase in cash and cash equivalents	(47,530)	13,699
Cash and cash equivalents at beginning of the year	77,646	63,997
Effect of foreign exchange rate changes	–	(50)
Cash and cash equivalents at end of the year	30,116	77,646
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	30,484	78,727
Bank overdrafts	(368)	(1,081)
	30,116	77,646

1. GENERAL

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

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 31.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the Hong Kong Financial Reporting Standards ("HKFRS") – Statement of Standard Accounting Practice ("SSAP") 12 (Revised) "Income taxes" issued by the Hong Kong Society of Accountants ("HKSA"). The term of HKFRS is inclusive of SSAPs and Interpretations approved by the HKSA.

SSAP 12 (Revised) has introduced a new basis of accounting for income taxes (including both current tax and deferred tax) and additional disclosure requirements which have been adopted in the financial statements. 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 amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (Revised) has had no significant effect on the results for the current or prior accounting periods.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

Goodwill and negative goodwill

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

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

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

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

Turnover

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

Revenue recognition

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

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

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

Income from event production is recognised when the events are complete and the amount can be measured reliably.

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

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

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

Impairment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**Property, plant and equipment**

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

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

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

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

Investments in subsidiaries

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

Interests in associates

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

Film rights

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

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

Inventories and record masters

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

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

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on 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, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

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

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Retirement benefit costs

Payments to defined contribution retirement benefits schemes are charged as an expense as they fall due.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the period of the relevant leases.

Notes to the Financial Statements



For the year ended 31st March, 2004

4. TURNOVER

	2004	2003
	HK\$'000	HK\$'000
An analysis of the Group's turnover is as follows:		
Music production and distribution		
– sales of albums	53,683	74,418
– licence income	26,425	26,000
	80,108	100,418
Production and distribution of films and television programmes and licensing of the corresponding distribution rights	261,436	30,392
Artiste management fee income	30,267	22,316
Event production		
– gross revenue from self-organised events	–	10,748
– share of net income from jointly organised events	6,918	2,608
	6,918	13,356
	378,729	166,482

5. SEGMENT INFORMATION

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

Principal activities are as follows:

Music production and distribution	–	sales of albums and licensing of musical works
Film and television programme production, distribution and licensing	–	production and distribution of films and television programmes and licensing of distribution rights over films and television programmes



Notes to the Financial Statements

For the year ended 31st March, 2004

5. SEGMENT INFORMATION (Continued)

Artiste management	–	provision of management services to artistes
Event production	–	concert management and organisation

(a) By activity

	2004		2003	
	Turnover HK\$'000	Contribution to net profit for the year HK\$'000	Turnover HK\$'000	Contribution to net loss for the year HK\$'000
Music production and distribution	80,108	6,438	100,418	11,223
Film and television programme production, distribution and licensing	261,436	(2,954)	30,392	(28,033)
Artiste management	30,267	19,400	22,316	7,722
Event production	6,918	5,961	13,356	2,117
	<u>378,729</u>	<u>28,845</u>	<u>166,482</u>	<u>(6,971)</u>
Other operating income not allocated to major activities		514		1,103
Unallocated corporate expenses		(4,679)		(5,256)
Profit (loss) from operations		24,680		(11,124)
Finance costs		(4,492)		(4,820)
Share of results of associate		–		(3)
Profit (loss) before taxation		20,188		(15,947)
Taxation		(632)		–
Profit (loss) before minority interests		19,556		(15,947)
Minority interests		1,100		7
Net profit (loss) for the year		<u>20,656</u>		<u>(15,940)</u>

Notes to the Financial Statements

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For the year ended 31st March, 2004

5. SEGMENT INFORMATION (Continued)

(a) By activity (Continued)

	Music production and distribution HK\$'000	Film and television programme production, distribution and licensing HK\$'000	Artiste management HK\$'000	Event production HK\$'000	Total HK\$'000
Balance sheet as at 31st March, 2004					
ASSETS					
Segment assets	47,445	218,037	4,830	2,041	272,353
Unallocated corporate assets					20,465
Consolidated total assets					292,818
LIABILITIES					
Segment liabilities	49,824	63,788	14,627	851	129,090
Unallocated corporate liabilities					51,990
Consolidated total liabilities					181,080
Other information for the year ended 31st March, 2004					
Depreciation of property, plant and equipment	620	402	224	26	1,272
Unallocated depreciation of property, plant and equipment					355
					1,627
Amortisation of film rights	-	212,177	-	-	212,177
Additions to property, plant and equipment and film rights	1,479	46,531	494	66	48,570
Unallocated additions					791
					49,361
Allowance for bad and doubtful debts	71	372	-	350	793

Notes to the Financial Statements

For the year ended 31st March, 2004

5. SEGMENT INFORMATION (Continued)

(a) By activity (Continued)

	Music production and distribution HK\$'000	Film and television programme production, distribution and licensing HK\$'000	Artiste management HK\$'000	Event production HK\$'000	Total HK\$'000
Balance sheet as at 31st March, 2003					
ASSETS					
Segment assets	56,753	431,512	9,342	1,048	498,655
Unallocated corporate assets					16,080
Consolidated total assets					514,735
LIABILITIES					
Segment liabilities	64,055	238,486	1,080	2,909	306,530
Unallocated corporate liabilities					119,777
Consolidated total liabilities					426,307
Other information for the year ended 31st March, 2003					
Depreciation of property, plant and equipment	533	500	232	30	1,295
Unallocated depreciation of property, plant and equipment					334
					1,629
Amortisation of film rights	-	29,634	-	-	29,634
Impairment loss on film rights	-	539	-	-	539
Additions to property, plant and equipment and film rights	249	99,071	195	6	99,521
Unallocated additions					290
					99,811
Allowance for bad and doubtful debts	643	-	-	-	643

Notes to the Financial Statements

For the year ended 31st March, 2004

5. SEGMENT INFORMATION (Continued)

(b) By geographical market

	Turnover	
	2004 HK\$'000	2003 HK\$'000
Greater China		
– Hong Kong	138,764	151,325
– Mainland China	12,332	3,974
– Taiwan	13,883	3,588
Japan	12,305	121
Other Asian countries	28,559	6,291
North America	155,608	270
Other areas	17,278	913
	378,729	166,482

	Carrying amount of segment assets		Additions to property, plant and equipment and film rights	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Greater China				
– Hong Kong	151,627	128,795	47,002	61,123
– Mainland China	9,152	13,846	428	573
– Taiwan	3,381	3,327	188	60
Japan	262	420	–	–
Other Asian countries	119	926	–	–
Ireland	126,917	365,649	1,743	38,055
North America	1,360	1,772	–	–
	292,818	514,735	49,361	99,811

Notes to the Financial Statements

For the year ended 31st March, 2004

6. PROFIT (LOSS) FROM OPERATIONS

	2004	2003
	HK\$'000	HK\$'000
Profit (loss) from operations has been arrived at after charging:		
Directors' remuneration (note 7(a))	3,507	4,553
Retirement benefits scheme contributions, net of forfeited contributions of HK\$103,000 (2003: HK\$185,000)	1,122	1,023
Other staff costs	33,218	28,792
Total staff costs	37,847	34,368
Allowance for bad and doubtful debts	793	643
Amortisation of film rights charged to cost of film and television programme production and distribution	212,177	29,634
Auditors' remuneration		
– current year	1,370	1,240
– under(over)provision in prior years	439	(46)
Depreciation of property, plant and equipment	1,627	1,629
Impairment loss on film rights recognised and included in cost of film and television programme production and distribution	–	539
Loss on disposal of property, plant and equipment	–	1,058
Operating lease rentals in respect of rented premises	3,379	3,623
and after crediting:		
Interest income	101	62
Rental income from sub-letting	66	837

Notes to the Financial Statements

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For the year ended 31st March, 2004

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2004	2003
	HK\$'000	HK\$'000
(a) Directors		
Independent non-executive directors		
Fees	200	200
Non-executive directors		
Fees	200	300
Executive directors		
Fees	300	377
Salaries and other benefits	2,604	3,428
Bonuses	125	125
Retirement benefits scheme contributions	78	123
	3,107	4,053
Total directors' emoluments	3,507	4,553

The emoluments of the directors were as follows:

	2004	2003
	HK\$'000	HK\$'000
Director A	100	100
Director B	100	100
Director C	100	100
Director D	100	100
Director E	100	100
Director F	100	100
Director G	–	100
Director H	2,907	2,806
Director I	N/A	1,047

Notes to the Financial Statements

For the year ended 31st March, 2004

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees

During the year, the five highest paid individuals included one director (2003: two directors). The total emoluments of the remaining four (2003: three) highest paid individuals were as follows:

	2004	2003
	HK\$'000	HK\$'000
Salaries and other benefits	5,503	4,762
Bonuses	80	–
Retirement benefits scheme contributions	167	105
	5,750	4,867
	Number of individuals	
	2004	2003

Emoluments of the employees were within the following bands:

Nil – HK\$1,000,000	1	1
HK\$1,000,001 – HK\$1,500,000	1	–
HK\$1,500,001 – HK\$2,000,000	2	1
HK\$2,000,001 – HK\$2,500,000	–	1

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

Notes to the Financial Statements

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For the year ended 31st March, 2004

8. FINANCE COSTS

	2004	2003
	HK\$'000	HK\$'000
Interest on:		
– bank borrowings	1,632	6,973
– other borrowings	4,257	4,820
Total borrowing costs	5,889	11,793
Less: Amount capitalised in film rights (see also note 21)	(1,397)	(6,973)
	4,492	4,820

9. TAXATION

The charge represents Hong Kong Profits Tax calculated at 17.5% of the estimated assessable profits for the year.

No provision for Hong Kong Profits Tax had been made in the 2003 financial statements as the estimated assessable profits for that year were wholly absorbed by tax losses brought forward.

The tax charge for the year can be reconciled to the results per the consolidated income statement as follows:

	2004	2003
	HK\$'000	HK\$'000
Profit (loss) before taxation	20,188	(15,947)
Tax charge (credit) of Hong Kong Profits Tax at 17.5% (2003: 16%)	3,533	(2,552)
Tax effect of expenses not deductible for tax purpose	7,109	2,444
Tax effect of income not taxable for tax purpose	(9,781)	(746)
Tax effect of tax losses not recognised	4,088	5,847
Tax effect of utilisation of tax losses previously not recognised	(6,164)	(5,496)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,864	310
Others	(17)	193
Tax charge for the year	632	–

Notes to the Financial Statements

For the year ended 31st March, 2004

9. TAXATION (Continued)

At 31st March, 2004, the Group has unused tax losses of HK\$147,500,000 (2003: HK\$159,300,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The losses may be carried forward indefinitely. There were no other significant temporary differences arising during the year or at the balance sheet date.

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

10. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the net profit for the year of HK\$20,656,000 (2003: net loss of HK\$15,940,000) and the 260,000,000 shares in issue during both years.

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

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Computer equipment HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP COST						
At 1st April, 2003	2,192	2,229	1,439	2,045	1,025	8,930
Additions	789	757	503	707	136	2,892
Disposals	-	(52)	(9)	-	(176)	(237)
At 31st March, 2004	2,981	2,934	1,933	2,752	985	11,585
DEPRECIATION						
At 1st April, 2003	1,695	1,901	752	1,963	489	6,800
Provided for the year	456	466	344	164	197	1,627
Eliminated on disposals	-	(49)	(7)	-	(176)	(232)
At 31st March, 2004	2,151	2,318	1,089	2,127	510	8,195
NET BOOK VALUE						
At 31st March, 2004	830	616	844	625	475	3,390
At 31st March, 2003	497	328	687	82	536	2,130

12. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004	2003
	HK\$'000	HK\$'000
Unlisted shares, at cost	11,333	11,333
Amount due from a subsidiary	101,549	102,529
	112,882	113,862

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

The amount due from a subsidiary is unsecured, non-interest bearing and has no fixed repayment terms. In the opinion of the directors of the Company, repayment by the subsidiary will not be made within the twelve months from the balance sheet date. Accordingly, the amount is shown as a non-current asset.

Particulars of the principal subsidiaries of the Company at 31st March, 2004 are set out in note 31.

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

13. INTERESTS IN ASSOCIATE

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Share of net liabilities	–	(931)
Amount due from associate	–	931
	–	–

At 31st March, 2003, share of net liabilities of associate by the Group represented the Group's obligations to make good losses incurred by the associate. The amount due from associate was unsecured and non-interest bearing. The associate was deregistered during the year.

Notes to the Financial Statements

For the year ended 31st March, 2004

14. PREPAYMENTS AND OTHER RECEIVABLES

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Prepaid artiste fees (note (a))	24,373	39,420
Prepaid salaries (note (b))	3,365	667
Loans to artistes (note (c))	4,064	5,654
Staff loans (note (d))	654	–
Other prepayments and receivables	11,403	12,887
	43,859	58,628

The amount of prepayments and other receivables is analysed for reporting purpose as follows:

Non-current portion	13,007	22,571
Current portion	30,852	36,057
	43,859	58,628

Notes:

- (a) The amount of prepaid artiste fees that is expected to be recouped within twelve months from the balance sheet date is classified as current assets. The remaining balance is classified as non-current assets. Should the directors of the Company consider that the future recoupable amount of a particular artiste is less than the balance of the artiste fees prepaid to that artiste, the extent of shortfall will be charged to the income statement immediately. The amount of prepaid artiste fees at the balance sheet is analysed for reporting purpose as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Non-current portion	11,034	20,834
Current portion	13,339	18,586
	24,373	39,420

14. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

- (b) On 21st September, 2001, Mr. Ng Sui Wan (alias Ng Yu) ("Mr. Ng Yu") entered into an employment contract (including the supplement thereto) (the "2001 Employment Contract") with Emperor Entertainment (Hong Kong) Limited, a wholly-owned subsidiary of the Company, in relation to his service as the chief executive officer of the Company and its subsidiaries in connection with their business commencing from 1st December, 2001 (the "First Commencement Date"), such term may be terminated by not less than three months' notice in writing served by either party to the other or by paying three months' basic salary in lieu of notice. In addition, in accordance with the terms of the 2001 Employment Contract, an amount of HK\$2,000,000 was paid to Mr. Ng Yu upon the signing of the 2001 Employment Contract. In the event that the 2001 Employment Contract is terminated by Mr. Ng Yu within two years from the First Commencement Date, the amount has to be refunded. The sum is therefore accounted for as prepaid salaries and charged to the income statement on a straight line basis over the 24 months from the First Commencement Date.

On 17th September, 2003, Mr. Ng Yu entered into a further employment contract with Emperor Entertainment (Hong Kong) Limited (the "2003 Employment Contract") which replaces the 2001 Employment Contract with effect from 10th December, 2003 (the "Second Commencement Date"), such term may be terminated by not less than three months' notice in writing served by either party to the other or by paying three months' basic salary in lieu of notice. In accordance with the terms of the 2003 Employment Contract, an amount of HK\$3,000,000 was paid to Mr. Ng Yu. In the event that the 2003 Employment Contract is terminated by Mr. Ng Yu within two years from the Second Commencement Date, the amount has to be refunded. In the event the 2003 Employment Contract is terminated by the Company, the amount to be refunded has to be determined with reference to the circumstances giving rise to the termination. The sum is therefore also accounted for as prepaid salaries and charged to the income statement on a straight line basis over the 24 months from the Second Commencement Date.

The unamortised amount of the sum paid to Mr. Ng Yu and the sums paid to other employees of the Group at the balance sheet date is analysed for reporting purpose as follows:

	2004			2003		
	Mr. Ng Yu	Other employees	Total	Mr. Ng Yu	Other employees	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current portion	1,000	633	1,633	-	-	-
Current portion	1,500	232	1,732	667	-	667
	2,500	865	3,365	667	-	667

Notes to the Financial Statements

For the year ended 31st March, 2004

14. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

- (c) The loans to artistes are unsecured and have no fixed repayment terms. An amount of HK\$300,000 (2003: HK\$1,701,000) bears interest at prevailing market rates and other amounts are non-interest bearing. The amount of loans to artistes that is expected to be repaid within twelve months from the balance sheet date is classified as current assets. The remaining balance is classified as non-current assets. The amount of loans to artistes at the balance sheet is analysed for reporting purpose as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Non-current portion	118	1,737
Current portion	3,946	3,917
	4,064	5,654

- (d) The staff loans are unsecured and non-interest bearing. They are repayable by fixed monthly instalments with reference to the terms of respective agreements. The amount of staff loans which is repayable within twelve months from the balance sheet date is classified as current assets. The remaining balance is classified as non-current assets. The amount of staff loans at the balance sheet is analysed for reporting purpose as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Non-current portion	222	–
Current portion	432	–
	654	–

15. FILM RIGHTS

	THE GROUP
	HK\$'000
COST	
At 1st April, 2003	414,014
Additions	46,469
At 31st March, 2004	460,483
AMORTISATION AND IMPAIRMENT	
At 1st April, 2003	59,153
Provided for the year	212,177
At 31st March, 2004	271,330
CARRYING AMOUNT	
At 31st March, 2004	189,153
At 31st March, 2003	354,861

The carrying amount of film rights is analysed for reporting purpose as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Non-current portion	4,828	3,163
Current portion	184,325	351,698
	189,153	354,861

At 31st March, 2004, the cost of film rights includes interest capitalised of HK\$8,451,000 (2003: HK\$7,054,000).

Notes to the Financial Statements

For the year ended 31st March, 2004

16. INVENTORIES AND RECORD MASTERS

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Record masters	4,746	3,073
Finished goods	19	285
	4,765	3,358

At the balance sheet date, the above amounts are stated at cost.

17. TRADE RECEIVABLES

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

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Current	10,608	9,285
Overdue		
0 – 30 days	4,491	4,476
31 – 60 days	1,311	2,340
61 – 90 days	821	496
over 90 days	3,531	434
	20,762	17,031

18. TRADE PAYABLES

The following is an aged analysis of trade payables:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Current	5,681	3,877
Overdue		
0 – 30 days	1,822	2,339
31 – 60 days	1,336	733
61 – 90 days	478	577
over 90 days	3,058	1,555
	12,375	9,081

19. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount is unsecured, bears interest at Hong Kong prime rate and is repayable on demand.

20. AMOUNT DUE TO A RELATED COMPANY

The amount is a trading balance. The Albert Yeung Discretionary Trust, a discretionary trust set up by Mr. Yeung Sau Shing, Albert (“Mr. Albert Yeung”), a management shareholder of the Company, indirectly holds 50% of the shareholding of this related company. By virtue of the aforesaid interests of Mr. Albert Yeung, Ms. Luk Siu Man, Semon, spouse of Mr. Albert Yeung, has a deemed interest in this related company.

21. SECURED BANK LOAN

The bank loan bore interest at prevailing market rates and was paid in full during the year. The bank loan was obtained from a bank for the purpose of financing the production of a film. As security, the Company 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 certain distribution agreements and the proceeds of each of them relating to that film with a carrying amount of HK\$295,300,000 at 31st March, 2003 to the bank to secure the facilities granted.

Notes to the Financial Statements

For the year ended 31st March, 2004

22. MINORITY INTERESTS/LOANS FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Share of net assets (liabilities) of subsidiaries	735	(1,921)
Loans from minority shareholders of subsidiaries	2,725	2,000

The loans from minority shareholders of subsidiaries are unsecured and non-interest bearing. The minority shareholders are entitled to repayment only after their share of losses in the relevant subsidiaries are made good. Accordingly, the loans are shown as non-current liabilities.

23. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Shares of HK\$0.01 each		
Authorised:		
At 1st April, 2002, 31st March, 2003 and 31st March, 2004	10,000,000,000	100,000
Issued and fully paid:		
At 1st April, 2002, 31st March, 2003 and 31st March, 2004	260,000,000	2,600

There were no changes in the Company's authorised, issued and fully paid share capital during both years.

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24. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE COMPANY				
At 1st April, 2002	105,614	11,233	(3,660)	113,187
Net loss for the year	–	–	(2,632)	(2,632)
At 31st March, 2003	105,614	11,233	(6,292)	110,555
Net loss for the year	–	–	(696)	(696)
At 31st March, 2004	105,614	11,233	(6,988)	109,859

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

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

- (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
 - (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.
- (b) In the opinion of the directors of the Company, the Company's reserves available for distribution to shareholders at the balance sheet date are as follows:

	2004 HK\$'000	2003 HK\$'000
Contributed surplus	11,233	11,233
Accumulated losses	(6,988)	(6,292)
	4,245	4,941

24. RESERVES (Continued)

- (c) The contributed surplus of the Group represents the difference between the aggregate of the nominal amount of the share capital and share premium of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition.
- (d) The special reserve of the Group represents advances of HK\$75,000,000 from Questrel Holdings Limited ("Questrel"), a former substantial shareholder of the Company, which were waived by Questrel as part of the group reorganisation in November 2000.
- (e) As at 31st March, 2003, the accumulated losses of the Group included HK\$931,000 (2004: nil) attributable to the associate of the Group.

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For the year ended 31st March, 2004

25. PURCHASE OF SUBSIDIARIES

	2004	2003
	HK\$'000	HK\$'000
Net assets acquired:		
Bank balances and cash	–	299
Other payables and accrued charges	–	(234)
Loan from a minority shareholder of a subsidiary	–	(2,000)
Minority interests	–	1,937
	<u>–</u>	<u>2</u>
Satisfied by:		
Cash consideration	–	2
Analysis of inflow of cash and cash equivalents in connection with the purchase of subsidiaries:		
Cash consideration	–	(2)
Bank balances and cash acquired	–	299
Net inflow of cash and cash equivalents in respect of the purchase of subsidiaries	<u>–</u>	<u>297</u>

The subsidiaries acquired in 2003 did not have significant contribution to the Group's operating results or cash flows for that year.

26. RETIREMENT BENEFITS SCHEME

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

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

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

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

27. OPERATING LEASE COMMITMENTS

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

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Within one year	3,320	2,475
In the second to fifth year inclusive	–	2,327
	3,320	4,802

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

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

28. OTHER COMMITMENTS

At 31st March, 2004, the Group was committed to pay an aggregate sum of HK\$20,100,000 (2003: HK\$19,784,000) and HK\$23,884,000 (2003: HK\$6,823,000) respectively in respect of artiste fees and film production costs.

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

29. SHARE OPTION SCHEME

On 30th November, 2000, the Company adopted a share option scheme (the "Share Option Scheme") which will expire on 30th November, 2010 for the primary purpose of providing incentives to the participants. Under the 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 prices 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 offer of options.

The maximum number of shares in respect of which options may be granted under the 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 Share Option Scheme since its adoption.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

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For the year ended 31st March, 2004

30. RELATED PARTY TRANSACTIONS

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

	2004	2003
	HK\$'000	HK\$'000
Distribution and promotion commission income received	466	–
Advertising and promotion expenses paid	673	979
Car park rentals paid	121	133
Corporate secretarial fee paid	320	267
Fees paid for back office support services (including accounting, tax and financial services, internal auditing, human resources and administrative services)	348	394
Fees paid for professional services (including information technology, legal and secretarial services)	683	1,190
Interest paid to ultimate holding company	4,257	4,820
Management fees and air-conditioning charges paid	677	564
Office management fee paid	120	80
Operating lease rentals paid	2,098	1,891
Purchase of merchandising goods	32	305

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

The above transactions were carried out in accordance with the terms of the relevant agreements or the terms mutually agreed between the Group and the relevant parties.

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31st March, 2004 are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
Mile Oak Profits Limited	British Virgin Islands	Ordinary - US\$6	100%	Investment holding
Artlanda Limited	Hong Kong	Ordinary - HK\$2	100%	Production of films and provision of agency services to group companies
EEG Music Publishing Limited	Hong Kong	Ordinary - HK\$2	100%	Licensing of musical works
Emperor Entertainment Group (International) Limited	Mauritius	Ordinary - US\$1,000	100%	Licensing of musical and multimedia works
Emperor Entertainment Group (Taiwan) Limited	British Virgin Islands/ Taiwan	Ordinary - US\$1	100%	Production and licensing of musical works and provision of agency services to group companies
Emperor Entertainment (Hong Kong) Limited	Hong Kong	Ordinary - HK\$10,000,000	100%	Trading and production of audio-visual products, licensing of musical works, provision of management services to artistes and concert management and organisation
Emperor Entertainment Limited	Hong Kong	Ordinary - HK\$2	100%	Trading and production of audio-visual products, licensing of musical works and concert management and organisation

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For the year ended 31st March, 2004

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
Emperor Motion Picture (HK) Limited (formerly known as Emperor Multimedia Group (HK) Limited)	Hong Kong	Ordinary - HK\$10,000	100%	Investment holding, production and distribution of films and licensing of distribution rights
Emperor Motion Picture (International) Limited (formerly known as Emperor Multimedia (International) Limited)	British Virgin Islands/Japan and Macau	Ordinary - US\$1	100%	Production and distribution of films and licensing of distribution rights
Emperor Motion Picture Limited (formerly known as Emperor Multimedia Limited)	Hong Kong	Ordinary - HK\$2	100%	Provision of film distribution services
Emperor Production Limited	Hong Kong	Ordinary - HK\$2	100%	Concert management and organisation
Giant Lead Profits Limited	British Virgin Islands/Macau and Thailand	Ordinary - US\$1	100%	Production and distribution of films and licensing of distribution rights
Golden Port Productions Limited	Ireland	Ordinary - IRE2	100%	Production and distribution of films, licensing of distribution rights and provision of distribution services
Goldpeak Corporation Limited	Hong Kong	Ordinary - HK\$2	100%	Production and distribution of films and licensing of distribution rights

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
Music Icon Records Limited	Hong Kong	Ordinary - HK\$2	100%	Trading and production of audio-visual products, licensing of musical works, provision of management services to artistes and concert management and organisation
北京中北英皇文化發展有限公司	Mainland China	Capital contribution - RMB10,000,000	60%	Provision of management services to artistes and holding company of an artiste training school

北京中北英皇文化發展有限公司 is a sino-foreign equity joint venture and all other companies are limited liability companies.

The Company directly holds the interest in Mile Oak Profits Limited and all other interests are indirectly held.

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

Financial Summary

	Year ended 31st March,				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
RESULTS					
Turnover	378,729	166,482	154,713	122,399	52,082
Other operating income	6,725	7,447	6,474	5,768	2,071
Cost of music production and distribution	(45,582)	(67,592)	(58,324)	(64,998)	(52,389)
Cost of self-organised events	–	(9,050)	(28,108)	(5,883)	(1,852)
Cost of film and television programme production and distribution	(215,226)	(32,337)	(31,176)	–	–
Distribution costs	(43,725)	(24,520)	(17,065)	(8,595)	(5,956)
Administrative expenses	(56,241)	(51,554)	(51,171)	(39,364)	(21,528)
Profit (loss) from operations	24,680	(11,124)	(24,657)	9,327	(27,572)
Finance costs	(4,492)	(4,820)	(2,725)	(28)	(41)
Share of results of associates	–	(3)	(16)	(611)	(15)
Profit (loss) before taxation	20,188	(15,947)	(27,398)	8,688	(27,628)
Taxation	(632)	–	–	–	(5)
Profit (loss) before minority interests	19,556	(15,947)	(27,398)	8,688	(27,633)
Minority interests	1,100	7	–	–	–
Net profit (loss) for the year	20,656	(15,940)	(27,398)	8,688	(27,633)

	At 31st March,				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
ASSETS AND LIABILITIES					
Total assets	292,818	514,735	403,990	182,927	49,130
Total liabilities	(181,080)	(426,307)	(297,477)	(68,053)	(198,184)
Minority interests	(735)	1,921	–	–	–
Shareholders' funds	111,003	90,349	106,513	114,874	(149,054)

Note: The results for each of the two years ended 31st March, 2001 and the assets and liabilities at 31st March, 2000 have been prepared on a merger accounting basis as if the group structure immediately after the group reorganisation effective on 30th November, 2000 had been in existence throughout the years.