



Annual Report 年報  
2004/2005



# EEG



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

(Incorporated in Bermuda with limited liability)  
(於百慕達註冊成立之有限公司)

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

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

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### Directors

Luk Siu Man, Semon\* (*Chairperson*)  
Ng Sui Wan alias Ng Yu  
Wong Chi Fai  
Fan Man Seung, Vanessa  
So Shu Fai\*  
Wong Ching Yue\*\*  
Chu Kar Wing\*\*  
Wong Tak Ming, Gary\*\*

\* *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

Chu Kar Wing (*Chairman*)  
Wong Ching Yue  
Wong Tak Ming, Gary

### Remuneration Committee

Wong Chi Fai (*Chairman*)  
Chu Kar Wing  
Wong Tak Ming, Gary

### 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  
Bank of China (Hong Kong)  
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 25th August, 2005 at 10:30 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, 2005.
2. To declare final dividend for the year ended 31st March, 2005.
3. To re-elect retiring directors and to fix directors’ remuneration and to grant power to the board of directors to appoint additional director(s).
4. To re-appoint auditors and to authorise the board of directors to fix their remuneration.
5. 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
- (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. 5(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. 5(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. 5(A) above.”
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 deleting the words “and such record date may be on, or at any time not more than thirty (30) days before or after, any date on which such dividend, distribution, allotment or issue is declared, paid or made” in Bye-law 45(a); and
- (b) by deleting the existing Bye-law 87 in its entirety and substituting therefor the following:

“87. (1) Notwithstanding any other provisions in the Bye-laws, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

(2) A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed pursuant to Bye-law 86(2) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.”

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

Hong Kong, 30th June, 2005

## 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 49, 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 Entertainment Hotel Limited (formerly known as 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*

Aged 55, 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. He joined the Group in December 2001.

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### **Wong Chi Fai**

*Executive Director and Compliance Officer*

Aged 49, is an associate of the Hong Kong Institute of Certified Public 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 Entertainment Hotel 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 42, is a lawyer in Hong Kong by profession and a registered accountant. 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 Entertainment Hotel Limited, the shares of both of which are listed on the Main Board of the Stock Exchange. She joined the Group in January 1994.

### **So Shu Fai**

*Non-executive Director*

Aged 54, 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 in 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 56, is a senior counsel, barrister-at-law, practising in Hong Kong since 1975. He joined the Group in November 2000.

### **Chu Kar Wing**

*Independent Non-executive Director*

Aged 48, holds a bachelor degree in social science majoring in economics. He has extensive experience in the banking and finance sector for several well-known corporations. He is also an independent non-executive director of Oriental Investment Corporation Limited, Foundation Group Limited and New Chinese Medicine Holdings Limited, the shares of the first two companies are listed on the Main Board of the Stock Exchange while the last one is listed on the GEM of the Stock Exchange. He joined the Group in September 2004.

### **Wong Tak Ming, Gary**

*Independent Non-executive Director*

Aged 29, is a certified public accountant (practising) and an associate member of both the Association of Chartered Certified Accountants and The Taxation Institute of Hong Kong. He obtained his honors degree in Applied Accounting in the United Kingdom. He has over eight years' experience in the field of auditing and accounting. He joined the Group in September 2004.

### **Mok Fung Lin, Ivy**

*Company Secretary*

Aged 40, 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 Entertainment Hotel Limited, the shares of both of which are listed on the Main Board of the Stock Exchange.

### **Albert Lee**

Aged 51, 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 32, 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 12 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, 2005, the Company and its subsidiaries (collectively referred to as the "Group") reported a net profit of approximately HK\$10.7 million, as compared with the net profit of approximately HK\$20.7 million in the previous year. Turnover of the Group decreased by 35% to approximately HK\$245.1 million as compared with approximately HK\$378.7 million in the previous year. The music production and distribution and artiste management operations, in particular, reported remarkable performance during the year.

### **FINAL DIVIDEND**

The board of directors (the "Board") declared the payment of a final dividend of HK\$0.028 per share ("Final Dividend") for the year ended 31st March, 2005, amounting to approximately HK\$7.3 million, subject to the approval of shareholders at the forthcoming annual general meeting of the Company to be held on Thursday, 25th August, 2005. If approved, the Final Dividend will be paid on Friday, 7th October, 2005 to shareholders whose names appear on Register of Members of the Company on Friday, 23rd September, 2005.

The Register of Members of the Company will be closed, for the purpose of determining shareholders' entitlement to the Final Dividend, from Wednesday, 21st September, 2005 to Friday, 23rd September, 2005 (both days inclusive), during which period no share transfer will be effected.

In order to qualify for the Final Dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Secretaries Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Tuesday, 20th September, 2005.

### **OPERATION REVIEW**

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

The operation continued to record steady performance during the year. The Group focused on making quality music records to compete in a cutthroat industry seriously affected by piracy activities. Boosted by encouraging returns from multimedia services such as handset music downloads and thanks to remarkable sales of music albums, the segment saw an improving profit margin while profit increased nearly triple to approximately HK\$18.6 million (2004: HK\$6.4 million), a record high since the Group's listing on the GEM in 2000. Turnover decreased by 6% to approximately HK\$75.3 million.

During the year, the Group released 67 albums (2004: 65) including 63 for its own artistes and 4 for external artistes.

Up to the date of this report, the Group and its artistes had scooped 175 awards, including many top awards from regional broadcasters, compared with 178 awards in the previous year. These awards included, inter alia, 2005 MTV Asia Award (Favourite Artiste Hong Kong) and Fifth Chinese Media Music Awards (Best Cantonese Female Singer and Best Group). Other awards included Four Electronic Media Syndicated Awards (Grand Media Award), IFPI's Top 10 Best-selling Cantonese Labels (six awards) and Best Selling Local Female Singer, CR2 903 Ultimate Song Chart Awards (My Favourite Female Singer Silver Award and My Favourite Group Gold Award) and Metro Radio Hit Best Female Singer.

### Film and Television Programme Production and Distribution

This business sector contributed approximately HK\$126.0 million to the Group's turnover during the year. It recorded a loss of approximately HK\$20.5 million for the year under review, partly due to slower-than-expected earnings received from overseas distribution rights.

#### Distribution

The Group distributed a total of six feature films in Hong Kong and other Asia markets during the year: namely Emperor Motion Pictures' ("EMP") "The Twins Effect II" and "6AM", and JCE Movies' ("JCE") "Enter the Phoenix", "New Police Story", "Rice Rhapsody" and "House of Fury". They all performed creditably despite that the theatrical market continued to struggle. "New Police Story", starring the internationally renowned Jackie Chan, and "The Twins Effect II", in particular, both figured prominently among the top grossing Chinese language films throughout Asia in 2004.

Outside Asia, EMP continued to enjoy success in licensing films, with "New Police Story" proving by far the most popular. To date, the film has been licensed to almost every territory worldwide. Also well received by overseas distributors was "House of Fury", featuring martial arts choreography by Yuen Wo-ping of "Matrix" fame.

During the year, EMP participated in the Cannes Film Festival, the American Film Market in Los Angeles and the Hong Kong FILMART, and achieved positive sales results. It also concluded a three-year output agreement with News Corp's STAR TV. Pursuant to the agreement, STAR TV has the cable television licensing rights in most of EMP's upcoming feature film productions in a number of Asian territories.

#### Production

The Group had commenced and/or completed production of a total of four feature films during the year: namely "The Twins Effect II", "6AM", "Bug Me Not!" and "A Chinese Tall Story". Most of those productions starred the Group's outstanding pools of talents including Twins, Nicholas Tse, Boy'z and Isabella Leong. "Bug Me Not!" and "A Chinese Tall Story" are currently in post-production stage and are scheduled for theatrical release in the second half of 2005. Facilitated by the Hong Kong-China's Closer Economic Partnership Arrangement (CEPA), three movies were co-produced with mainland studios and two of them were shot entirely in China.



### Artiste Management

The sector performed well this year. Income from artiste management for the year soared by 18% to approximately HK\$35.7 million (2004: HK\$30.3 million) mainly due to aggressive promotion by the Group. Almost half of the performing opportunities was in China. During the year, the Group recruited eight new artistes, including three from the "EEG Singing Contest 2004" co-organised with Television Broadcasts Limited.

The Group's artiste training school in Beijing, Zhongbei Emperor School of Performing Arts, also started contribution. During the year, the School completed its first training programme and the Group had signed up 32 graduates. Some of them had participated in casting of various television series and other performances.

During the year, the Group entered into agreements with a management company to provide worldwide (except mainland China) management services for Tian Liang, Lu Yi and Qiao Zhenyu. The Group will soon start lining up advertising opportunities, and stage and movie performances for them.

As at the end of the year, the Group managed a total of 69 artistes (2004: 31).

### Event Production

During the year, the Group organised six concerts with third parties for local and international singers including Jenny Tsang, Whitney Houston, Tat Ming Pair, Jay Chou, Kelly Chan and Andy Hui. The concerts were well received by the public and the media. With additional income from provision of event production services, the segment's turnover rose by 17% to approximately HK\$8.1 million. Profit reached approximately HK\$3.3 million.

The Group plans to present more concerts in the coming financial year, featuring Robin Gibb of The Bee Gees, Paula Tsui, Luciano Pavarotti, Joey Yung and Twins. The management plans to organise more events and concerts for artistes in Australia, United States, Canada, China and Southeast Asia to enrich its income stream.

### CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group continued to finance its operation and capital expenditure through cashflow from operation and loan from Surplus Way Profits Limited ("Surplus Way"), the substantial shareholder of the Company.

As at 31st March, 2005, the Group's current ratio (based on current assets over current liabilities) remained 1.5 as compared to the previous year. Current assets amounted to approximately HK\$303.4 million, comprising 45% film rights, inventories and record masters, 38% trade receivables, prepayments and other receivables and 17% bank balances and cash held in hand (which were mainly denominated in U.S. dollars, Hong Kong dollars and Reminbi). Current liabilities amounted to approximately HK\$196.5 million, comprising 55% trade payables, other payables and accruals and tax payable, and 45% 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 term).

As at the same date, advances from minority shareholders were approximately HK\$2.2 million which were mainly denominated in Hong Kong dollars, unsecured, non-interest bearing and had no fixed repayment term.

Other than disclosed above, the Group had no other external borrowings as 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 risks from foreign exchange rate fluctuation in the coming year.

As at the end of the year, the Group's gearing ratio (expressed as a percentage of total borrowings over net asset value) increased from 48% in the previous year to 75%, which was mainly due to additional advances from Surplus Way for the year.

Taking into account the cashflow generated from the operation of the Group in its ordinary course of business and existing loan facility held, the Board expected the Group to have sufficient working capital for its operation.

### COMMITMENTS

As at 31st March, 2005, the Group had total commitments of approximately HK\$61.3 million, which comprised HK\$23.5 million for artiste fees, HK\$28.5 million for film production costs and HK\$9.3 million for acquisition of rights of distribution and exploitation in a film.

### NUMBER AND REMUNERATION OF EMPLOYEES

With the expansion of the Group's business, as at 31st March, 2005, the Group's number of employees increased to 161 (2004: 143) and total staff costs for the year was approximately HK\$38.9 million. All employees are under the remuneration policy of fixed monthly salary with discretionary bonus. The Company also has a share option scheme for providing incentive to full-time employees of the Group. No options were granted or outstanding during the year.

### PROSPECTS

Supported by a strong artiste base and outstanding industry expertise, the management expects the Group to grow and assume a bigger share of both the local and international markets.

The Group hopes to grow its market share and in turn strengthen its foothold in the music industry. In the pipeline are concerts starring Joey Yung and Twins scheduled for October 2005 and January 2006 respectively. It will again co-organise the EEG Singing Contest with Television Broadcasts Limited in September 2005. It looks forward to receiving continuous revenue from multimedia offerings and expanding into Greater China region especially in Karaoke-on-Demand market. It expects to receive possible contribution from newly-signed artistes graduated from Zhongbei Emperor School of Performing Arts. The School plans to work with renowned institutions in China to provide credit transfer arrangements for graduates to further their education in the performing arts field. It will also co-operate with terrestrial broadcasters to offer performance opportunities for the School's graduates.

Meanwhile, the Group hopes to improve the performance of its film production and distribution operation, which is still in the investment stage.

As announced on 9th March, 2005, the Group would acquire the sole and exclusive right to distribute and exploit "New Police Story" in the United States, Australia and New Zealand. The management believes that the film, with international superstar Jackie Chan headlining a strong ensemble cast and already a commercial and critical success in many territories, will contribute positively to the Group.

EMP will be especially active in the second half of 2005 with three feature films scheduled for theatrical release throughout Asia. They include "Bug Me Not!" (July 2005), "A Chinese Tall Story" (December 2005) and JCE's US\$20 million epic "The Myth" (September 2005) which stars Jackie Chan, Kim Hee Seon, Mallika Sherawat and directed by Stanley Tong.

EMP in the meantime continues to actively develop new feature film projects, a number of which will commence production in the second half of 2005. Such new projects include those with noted filmmakers Jeff Lau, Gordan Chan, Chan Hing-kai, Lo Chi-leung, Dante Lam and Joe Ma.

The directors of the Company present their annual report and the audited financial statements for the year ended 31st March, 2005.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 28 to the financial statements.

### RESULTS AND DIVIDEND

The results of the Group for the year ended 31st March, 2005 are set out in the consolidated income statement on page 31.

The directors of the Company recommended the payment of a final dividend of HK\$0.028 per share for the year ended 31st March, 2005 to the shareholders whose names appear on the Register of Members on 23rd September, 2005, amounting to HK\$7,280,000.

### 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. So Shu Fai  
Dr. Chan Kong Sang, Jackie (resigned on 19th July, 2004)

#### Independent non-executive directors:

Mr. Wong Ching Yue  
Mr. Chu Kar Wing (appointed on 30th September, 2004)  
Mr. Wong Tak Ming, Gary (appointed on 30th September, 2004)  
Mr. Tso Hon Sai, Bosco (resigned on 30th September, 2004)

**DIRECTORS (Continued)**

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.

In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr. Chu Kar Wing and Mr. Wong Tak Ming, Gary retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. In accordance with Bye-laws 87(1) and 87(2) of the Company's Bye-laws, Mr. Ng Sui Wan (alias Ng Yu) ("Mr. Ng Yu") and Dr. So Shu Fai retire at the forthcoming annual general meeting. Mr. Ng Yu, being eligible, offers himself for re-election; whereas Dr. So Shu Fai wishes to retire and not to offer himself for re-election.

On 17th September, 2003, Mr. Ng Yu entered into an employment contract 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 Group in connection with its business, for a term commencing from 16th 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. Mr. Ng Yu also entered into another service agreement with the Company to serve as executive director of the Company for an initial term of one year commencing from 26th August, 2004, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Each of Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa, entered into a service agreement with the Company to serve as executive director of 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.

Each of the non-executive directors of the Company has service contract with the Company each for a term of two years commencing on the following date, with all the terms being renewed automatically for successive terms of one year each commencing from the date next after the expiry of the then current terms, unless terminated by not less than three months' notice in writing served by either party:

<b>Name of director</b>	<b>Commencing date</b>
Luk Siu Man, Semon	30th November, 2000
So Shu Fai	1st April, 2002
Wong Ching Yue	1st April, 2002
Chu Kar Wing	30th September, 2004
Wong Tak Ming, Gary	30th September, 2004

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

- (a) 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 GEM of the Stock Exchange):

Name of counterparty	Nature of transaction	Terms	Amount for the year ended 31st March, 2005 <i>HK\$'000</i>
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)	339
	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)	121
Emperor International Holdings Limited ("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	370
	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	312
	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	690

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

(a) *(Continued)*

Name of counterparty	Nature of transaction	Terms	Amount for the year ended 31st March, 2005 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)	276
	Management fees paid	1st November, 2002 to 31st March, 2005 at a monthly fee of HK\$10,062.40 (subject to adjustment)	107
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)	114
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

*Notes:*

- (1) Strong Time Investments Limited is the signing agent of Emperor International Exchange (Hong Kong) Company Limited, in which Ms. Luk Siu Man, Semon ("Ms. Semon Luk") has deemed interest as at the date when the leases were signed.
- (2) Emperor International is a listed company, 57.91% of the shares of which were registered in the name of and beneficially owned by Charron Holdings Limited ("Charron") and 11.57% were registered in the name of and beneficially owned by Pleasure Road Profits Limited ("Pleasure Road") as at 31st March, 2005. The entire issued share capital of Charron and Pleasure Road were respectively held by The A&A Unit Trust and The A&S Unit Trust both 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 and Pleasure Road in Emperor International. By virtue of the aforesaid interests of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and director of the Company) was also deemed to be interested in the issued share capital held by Charron and Pleasure Road in Emperor International.
- (3) The counterparties are all indirect wholly-owned subsidiaries of Emperor International.

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

(a) *(Continued)*

As announced by the Company on 1st August, 2002, (i) Yes Records Limited (now known as Emperor Connection 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.

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.

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

- (b) As announced by the Company on 10th November, 2004, Emperor Motion Picture Limited ("EMP"), a wholly-owned subsidiary of the Company, entered into a distribution agreement (including the supplement thereto) both dated 31st October, 2003 (the "Distribution Agreement") with JCE Movies Limited ("JCE") pursuant to which EMP was appointed by JCE as the sales agent of a film entitled "New Police Story", produced by JCE for a period from 31st October, 2003 to 31st March, 2006, subject to (a) renewal at the option of EMP for a period from 1st April, 2006 to 31st March, 2009; and (b) automatic renewal for a period of three years upon expiry of such renewed term or any subsequent term (as the case may be) unless the Distribution Agreement is terminated by either party in writing three months in advance prior to the expiry of such term. Under the Distribution Agreement, JCE granted to EMP the sole and exclusive rights to distribute the licensed rights of the film "New Police Story" worldwide in all language versions dubbed and subtitled at the agency fee rates of (a) 2% for distribution in North America and Hong Kong in respect of theatrical rights and worldwide by sub-sales agents; and (b) 12% for the others. During the year, the Group received agency fee of approximately HK\$5,410,000 from JCE. JCE is ultimately beneficially owned as to 50% by the Trust; (b) 2.475% by Dr. Chan Kong Sang, Jackie ("Dr. Jackie Chan"), who was a non-executive director of the Company at the time when the Distribution Agreement was signed; (c) 22.5% by Dr. Jackie Chan's father; and (d) 25.025% by other independent third parties (as defined in the GEM Listing Rules). JCE is therefore an associate of Mr. Albert Yeung under the GEM Listing Rules.

In the opinion of the independent non-executive directors of the Company, the above transaction was carried out in the ordinary and usual course of business of the Group under normal commercial terms and was in accordance with the Distribution Agreement and on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

- (c) As announced by the Company on 23rd July, 2004, Union Praise Limited ("Union Praise"), a wholly-owned subsidiary of the Company, entered into an artiste's service agreement dated 19th July, 2004 with Jackie & Willie Productions Limited ("Jackie & Willie") in relation to the engagement of Dr. Jackie Chan as a professional actor for a film produced by Union Praise entitled "The Twins Effect II" (the "Film"). In consideration of Jackie and Willie releasing and/or making available for Union Praise Dr. Jackie Chan's service for two working days of ten hours each during the period from 1st March, 2004 to 31st March, 2004 to act as a professional actor in the Film, Union Praise agreed to pay to Jackie and Willie an acting fee of HK\$6,000,000. During the year ended 31st March, 2005, an aggregate sum of HK\$4,000,000 was paid to Jackie and Willie. The remaining balance of HK\$2,000,000 was included in the other payables and accrued charges in the consolidated balance sheet as at 31st March, 2005. Dr. Jackie Chan was a non-executive director of the Company at the time when the artiste's service agreement was signed. He did not hold any shares in the Company. Dr. Jackie Chan is also a director of Jackie and Willie, the shares of which are deemed to be beneficially owned as to 99.9% in aggregate by Dr. Jackie Chan and his associate (as defined in the GEM Listing Rules). Jackie and Willie is therefore an associate of Dr. Jackie Chan under the GEM Listing Rules. The directors of the Company believed that Dr. Jackie Chan's participation in the Film would enhance the box office and marketability of the Film.

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

- (d) As announced by the Company on 9th March, 2005, Golden Port Productions Limited ("GPP"), a wholly-owned subsidiary of the Company, entered into an acquisition agreement dated 7th March, 2005 (the "Acquisition Agreement") with JCE, pursuant to which GPP agreed to acquire and JCE agreed to sell in perpetuity the sole and exclusive rights of distribution and exploitation in the film "New Police Story", of which JCE is the producer, in the United States of America (including but not limited to, Guam, Midway Island, Trust Territory Islands, the Virgin Islands, Bahamas Islands, Puerto Rico, Bermuda and Saipan), Australia and New Zealand (collectively referred to as the "Territory") at a cash consideration of US\$1,700,000 (equivalent to approximately HK\$13,260,000). As at 31st March, 2005, a deposit of US\$510,000 (equivalent to approximately HK\$3,978,000) was paid by the Group. As a result of the Group's acquisition of the said rights in the film "New Police Story", JCE is no longer liable to pay the agency fees to EMP under the Distribution Agreement as referred to in paragraph (b) above in respect of the provision of the sales agency services by EMP in the Territory. This transaction was approved by the independent shareholders by way of poll at the special general meeting of the Company held on 18th April, 2005.

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, 2005, 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 pursuant to the required standard of dealings by the directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules 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	203,020,000	78.08%

*Note:* The shares were registered in the name of Surplus Way. The entire issued share capital of Surplus Way was held by Jumbo Wealth Limited ("Jumbo Wealth") on trust for The A & A Unit Trust. The A & A Unit Trust was a unit trust under the 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 203,020,000 shares held by Surplus Way. By virtue of the aforesaid interests of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and director of the Company) was also deemed to be interested in the above 203,020,000 shares held by Surplus Way.



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

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

<b>Name of associated corporation</b>	<b>Nature of interests</b>	<b>Number of ordinary share(s) held</b>	<b>Percentage holding</b>
Surplus Way <i>(Note (1))</i>	Family	1	100%
Jumbo Wealth <i>(Notes (1) and (2))</i>	Family	1	100%
Charron <i>(Note (2))</i>	Family	1	100%
Emperor International <i>(Notes (2) and (3))</i>	Family	780,069,411	69.48%

Notes:

- (1) Surplus Way was the registered owner of 203,020,000 shares, representing 78.08% 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 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 650,174,750 shares in Emperor International. The entire issued share capital of Charron was held by Jumbo Wealth on trust for The A & A Unit Trust. By virtue of the interests of The A & A Unit Trust in Surplus Way and Charron, both Charron and Emperor International were associated corporations of the Company. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the share capital of Charron and Emperor International respectively. By virtue of the aforesaid interests of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and director of the Company) was also deemed to be interested in the share capital of Charron and Emperor International respectively.
- (3) Pleasure Road was the registered owner of 129,894,661 shares in Emperor International. The entire issued share capital of Pleasure Road was held by Cash-In Profits Limited which in turn was held by Gain Wealth Investments Limited ("Gain Wealth"). The entire issued share capital of Gain Wealth was held by Perpetual Wealth Investments Limited on trust for The A & S Unit Trust. The A & S 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 shares of Emperor International held by Pleasure Road. By virtue of the aforesaid interests of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and director of the Company) was also deemed to be interested in the shares of Emperor International held by Pleasure Road.

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

Save as disclosed above, as at 31st March, 2005, 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 the GEM of the Stock Exchange pursuant to the required standard of dealings by the directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

### **SHARE OPTION SCHEMES AND DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

At the annual general meeting of the Company held on 26th August, 2004, the shareholders of the Company approved the adoption a new share option scheme which became effective from 11th November, 2004. The former share option scheme which was adopted on 30th November, 2000 and expiring on 30th November, 2010 was terminated. Details of these two share option schemes are set out in note 26 to the financial statements.

The Company has not granted any option under these share option schemes since their adoption. The total number of shares available for issue under the new share option scheme as at the date of this report is 26,000,000, representing 10% of the issued share capital of the Company as at that date.

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, 2005, 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 positions in shares of the Company

Name	Capacity/ Nature of interests	Number of ordinary shares held	Percentage holding
Surplus Way (Note (1))	Beneficial	203,020,000	78.08%
Jumbo Wealth (Note (1))	Trustee	203,020,000	78.08%
GZ Trust Corporation ("GZ Trust") (Note (1))	Trustee	203,020,000	78.08%
Mr. Albert Yeung (Note (1))	Founder of the Trust	203,020,000	78.08%
South China Finance and Management Limited	Beneficial	19,950,000	7.67%
South China Brokerage Company Limited	Interest in a controlled corporation	19,950,000	7.67%
East Hill Development Limited	Interest in a controlled corporation	19,950,000	7.67%
Tek Lee Finance and Investment Corporation Limited	Interest in a controlled corporation	19,950,000	7.67%
South China (BVI) Limited	Interest in a controlled corporation	19,950,000	7.67%
South China Holdings Limited	Interest in a controlled corporation	19,950,000	7.67%
Bannock Investment Limited	Interest in a controlled corporation	19,950,000	7.67%
Eartrade Investments Limited	Interest in a controlled corporation	19,950,000	7.67%

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

(Continued)

### Long positions in shares of the Company (Continued)

Name	Capacity/ Nature of interests	Number of ordinary shares held	Percentage holding
Parkfield Holdings Limited	Interest in a controlled corporation	19,950,000	7.67%
Ronastar Investments Limited	Interest in a controlled corporation	19,950,000	7.67%
Fung Shing Group Limited	Interest in a controlled corporation	19,950,000	7.67%
Ms. Cheung Choi Ngor	Persons acting in concert	19,950,000	7.67%
Mr. Richard Howard Gorges	Persons acting in concert	19,950,000	7.67%
Mr. Ng Hung Sang, Robert ("Mr. Robert Ng")	Persons acting in concert	19,950,000	7.67%
Ms. Ng Lai King, Pamela ("Ms. Pamela Ng") (Note (2))	Spouse	19,950,000	7.67%

*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 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 203,020,000 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 19,950,000 shares in which Mr. Robert Ng was interested by virtue of the SFO.

Save as disclosed above, as at 31st March, 2005, 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 46% of the turnover of the Group and the largest customer accounted for approximately 16% 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, 2005.

**DONATIONS**

During the year, the Group made donations amounting to HK\$138,000.

**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**

The Company has complied throughout the year ended 31st March, 2005 with the board practices and procedures as set out in Rules 5.34 to Rules 5.45 of the GEM Listing Rules, except that full board meeting was not held every three months during the year.

The board practices and procedures were replaced by the Code on Corporate Governance Practices which came into effect on 1st January, 2005. Appropriate actions are being taken by the Company in complying with the Code.

### MODEL CODE FOR SECURITIES

The Company had adopted a code of conduct regarding securities transactions by directors and senior executives on no less exacting terms than the required standard of dealings set out in Rules 5.48 to Rules 5.67 of the GEM Listing Rules. Having made specific enquiry to all the directors of the Company, all the directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.

### BOARD PRACTICES

The Company had received an annual confirmation of independence from each of the independent non-executive directors of the Company pursuant to Rule 5.09 of the GEM Listing Rules. The Company was of the view that all the independent non-executive directors of the Company met the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

### AUDIT COMMITTEE

The Company established an audit committee with written terms of reference comprising the three independent non-executive directors of the Company, namely Mr. Chu Kar Wing (Chairman of the audit committee), Mr. Wong Ching Yue and Mr. Wong Tak Ming, Gary. The principal duties of the audit committee included the review and supervision of the Group's financial reporting system, internal control procedures, the Group's financial information and relationship with the auditors of the Company.

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

### REMUNERATION COMMITTEE

The Company established a remuneration committee, comprising a majority of independent non-executive directors of the Company, with written terms of reference. The remuneration committee comprised Mr. Wong Chi Fai (Chairman of the remuneration committee), Mr. Chu Kar Wing and Mr. Wong Tak Ming, Gary.

The principal responsibilities of the remuneration committee included making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and reviewing the specific remuneration packages of all executive directors and senior management.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company maintained the prescribed public float under the GEM Listing Rules.



## COMPETING INTERESTS

Dr. Jackie Chan, a former non-executive director of the Company, is a director and shareholder of Climbing High Productions Limited, Jackie & Willie, Jackie & Willie Enterprises Limited and Filmtech Lighting Services Limited and also 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. Dr. Jackie Chan resigned as a non-executive director of the Company with effect from 19th July, 2004.

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, 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"), a company engaged in the business of television programme production and artiste management. The Trust also indirectly held 79% shareholding of Great Creator Limited trading as Cool Factory Event Marketing & Talent Agency ("Cool Factory") which is engaged in the business, inter alia, of event production. The businesses of JCE, Prime Time and Cool Factory may constitute competition with the 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 at 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, 20th June, 2005

# 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 31 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 Institute of Certified Public 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, 2005 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  
20th June, 2005

# Consolidated Income Statement

For the year ended 31st March, 2005

	Notes	2005 HK\$'000	2004 HK\$'000
Turnover	4 & 5	<b>245,137</b>	378,729
Other operating income		<b>13,707</b>	6,725
Cost of music production and distribution		<b>(37,018)</b>	(45,582)
Cost of film and television programme production and distribution		<b>(108,748)</b>	(215,226)
Cost of provision of event production services		<b>(3,347)</b>	–
Distribution costs		<b>(30,975)</b>	(43,725)
Administrative expenses		<b>(58,030)</b>	(56,241)
Profit from operations	6	<b>20,726</b>	24,680
Finance costs	8	<b>(2,844)</b>	(4,492)
Profit before taxation		<b>17,882</b>	20,188
Taxation	9	<b>(8,675)</b>	(632)
Profit before minority interests		<b>9,207</b>	19,556
Minority interests		<b>1,482</b>	1,100
Net profit for the year		<b>10,689</b>	20,656
Dividend			
– proposed final dividend of HK\$0.028 (2004: nil) per share		<b>7,280</b>	–
Earnings per share	10		
– basic		<b>4.11 cents</b>	7.94 cents

# Consolidated Balance Sheet

At 31st March, 2005

	Notes	2005 HK\$'000	2004 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	11	3,860	3,390
Prepayments and other receivables	13	10,228	13,007
Film rights	14	3,719	4,828
		<b>17,807</b>	21,225
<b>Current assets</b>			
Film rights	14	133,239	184,325
Inventories and record masters	15	4,320	4,765
Trade receivables	16	60,920	20,762
Prepayments and other receivables	13	53,461	30,852
Tax recoverable		–	405
Bank balances and cash		51,463	30,484
		<b>303,403</b>	271,593
<b>Current liabilities</b>			
Trade payables	17	17,383	12,375
Other payables and accrued charges		86,977	111,454
Amount due to ultimate holding company	18	89,037	49,930
Amount due to a related company	19	–	4,228
Tax payable		3,083	–
Bank overdrafts		–	368
		<b>196,480</b>	178,355
Net current assets		<b>106,923</b>	93,238
Total assets less current liabilities		<b>124,730</b>	114,463
Minority interests	20	1,136	735
<b>Non-current liabilities</b>			
Loans from minority shareholders of subsidiaries	20	2,204	2,725
		<b>121,390</b>	111,003
<b>Capital and reserves</b>			
Share capital	21	2,600	2,600
Reserves		118,790	108,403
Shareholders' funds		<b>121,390</b>	111,003

The financial statements on pages 31 to 70 were approved and authorised for issue by the Board of Directors on 20th June, 2005 and are signed on its behalf by:

**Wong Chi Fai**  
Director

**Fan Man Seung, Vanessa**  
Director

## Balance Sheet

At 31 March, 2005

	Notes	2005 HK\$'000	2004 HK\$'000
Non-current assets			
Interests in subsidiaries	12	<b>112,043</b>	112,882
Current assets			
Dividend receivable from a subsidiary		<b>10,000</b>	–
Prepayments		<b>148</b>	147
Bank balance		<b>1</b>	1
		<b>10,149</b>	148
Current liabilities			
Other payables		<b>596</b>	571
Net current assets (liabilities)		<b>9,553</b>	(423)
Net assets		<b>121,596</b>	112,459
Capital and reserves			
Share capital	21	<b>2,600</b>	2,600
Reserves	22	<b>118,996</b>	109,859
Shareholders' funds		<b>121,596</b>	112,459

**Wong Chi Fai**  
*Director*

**Fan Man Seung, Vanessa**  
*Director*



## Consolidated Statement of Changes in Equity

For the year ended 31st March, 2005

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000 (Note 22(c))	Special reserve HK\$'000 (Note 22(d))	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st April, 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
Exchange differences on translation of overseas operations not recognised in the consolidated income statement	-	-	-	-	(302)	-	(302)
Net profit for the year	-	-	-	-	-	10,689	10,689
<b>At 31st March, 2005</b>	<b>2,600</b>	<b>105,614</b>	<b>91,063</b>	<b>75,000</b>	<b>(528)</b>	<b>(152,359)</b>	<b>121,390</b>

# Consolidated Cash Flow Statement

For the year ended 31st March, 2005

	2005 HK\$'000	2004 HK\$'000
Cash flows from operating activities		
Profit before taxation	<b>17,882</b>	20,188
Adjustments for:		
Interest expense	<b>2,844</b>	4,492
Interest income	<b>(249)</b>	(101)
Depreciation of property, plant and equipment	<b>2,178</b>	1,627
Loss on disposal of property, plant and equipment	<b>348</b>	–
Amortisation of film rights	<b>107,087</b>	212,177
Impairment loss on film rights recognised	<b>1,039</b>	–
Effect of foreign exchange rate changes on intercompany balances	–	(20)
Operating cash flows before movements in working capital	<b>131,129</b>	238,363
Increase in film rights	<b>(55,931)</b>	(45,072)
Decrease (increase) in inventories and record masters	<b>445</b>	(1,407)
Increase in trade receivables	<b>(40,158)</b>	(3,731)
(Increase) decrease in prepayments and other receivables	<b>(20,157)</b>	14,769
Increase in trade payables	<b>5,008</b>	3,294
Decrease in other payables and accrued charges	<b>(24,477)</b>	(7,185)
(Decrease) increase in amount due to a related company	<b>(4,228)</b>	4,228
Cash (used in) from operations	<b>(8,369)</b>	203,259
Hong Kong Profits Tax paid	<b>(5,187)</b>	(1,037)
Net cash (used in) from operating activities	<b>(13,556)</b>	202,222
Cash flows from investing activities		
Interest received	<b>249</b>	101
Proceeds from disposal of property, plant and equipment	<b>104</b>	5
Purchase of property, plant and equipment	<b>(3,077)</b>	(2,892)
Net cash used in investing activities	<b>(2,724)</b>	(2,786)

## Consolidated Cash Flow Statement

For the year ended 31st March, 2005

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Cash flows from financing activities		
Net cash inflow from (outflow to) ultimate holding company	<b>39,107</b>	(67,850)
Capital contribution from a minority shareholder of a subsidiary	<b>1,885</b>	3,774
Interest paid	<b>(2,844)</b>	(5,889)
(Repayment to) loan from a minority shareholder of a subsidiary	<b>(521)</b>	725
Repayment of bank loan	–	(177,726)
Net cash from (used in) financing activities	<b>37,627</b>	(246,966)
Net increase (decrease) in cash and cash equivalents	<b>21,347</b>	(47,530)
Cash and cash equivalents at beginning of the year	<b>30,116</b>	77,646
Cash and cash equivalents at end of the year	<b>51,463</b>	30,116
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<b>51,463</b>	30,484
Bank overdrafts	–	(368)
	<b>51,463</b>	30,116

## 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 28.

## 2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (hereinafter collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005.

The Group has commenced considering the potential impact of the new HKFRSs but is not yet in a position to determine whether the new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. The new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

## 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.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **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 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.

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.

On disposal of a subsidiary, 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.

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition (Continued)

Income from event production is recognised when the events are complete or the services are provided 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.

### 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%



## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Property, plant and equipment** *(Continued)*

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.

### **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.

### **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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 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, 2005

## 4. TURNOVER

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
An analysis of the Group's turnover is as follows:		
Music production and distribution		
– sales of albums	<b>42,287</b>	53,683
– licence income	<b>28,482</b>	26,425
– multimedia income	<b>4,577</b>	–
	<b>75,346</b>	80,108
Production and distribution of films and television programmes and licensing of the corresponding distribution rights	<b>125,973</b>	261,436
Artiste management fee income	<b>35,719</b>	30,267
Event production		
– share of net income from jointly organised events	<b>1,931</b>	6,918
– income from provision of event production services	<b>6,168</b>	–
	<b>8,099</b>	6,918
	<b>245,137</b>	378,729

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

# Notes to the Financial Statements

For the year ended 31st March, 2005

## 5. SEGMENT INFORMATION (Continued)

### (a) By activity

	2005		2004	
	Turnover HK\$'000	Contribution to net profit for the year HK\$'000	Turnover HK\$'000	Contribution to net profit for the year HK\$'000
Music production and distribution	75,346	18,551	80,108	6,438
Film and television programme production, distribution and licensing	125,973	(20,450)	261,436	(2,954)
Artiste management	35,719	23,736	30,267	19,400
Event production	8,099	3,317	6,918	5,961
	<u>245,137</u>	<u>25,154</u>	<u>378,729</u>	<u>28,845</u>
Other operating income not allocated to major activities		576		514
Unallocated corporate expenses		(5,004)		(4,679)
Profit from operations		<u>20,726</u>		<u>24,680</u>
Finance costs		(2,844)		(4,492)
Profit before taxation		<u>17,882</u>		<u>20,188</u>
Taxation		(8,675)		(632)
Profit before minority interests		<u>9,207</u>		<u>19,556</u>
Minority interests		1,482		1,100
Net profit for the year		<u>10,689</u>		<u>20,656</u>



## 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
<b>Balance sheet as at 31st March, 2005</b>					
<b>ASSETS</b>					
Segment assets	48,450	223,596	6,922	23,035	302,003
Unallocated corporate assets					19,207
Consolidated total assets					321,210
<b>LIABILITIES</b>					
Segment liabilities	48,152	42,548	8,925	4,197	103,822
Unallocated corporate liabilities					94,862
Consolidated total liabilities					198,684
<b>Other information for the year ended 31st March, 2005</b>					
Depreciation of property, plant and equipment	647	332	719	33	1,731
Unallocated depreciation of property, plant and equipment					447
					2,178
Amortisation of film rights	-	107,087	-	-	107,087
Impairment loss on film rights	-	1,039	-	-	1,039
Additions to property, plant and equipment and film rights	947	74,130	835	48	75,960
Unallocated additions					725
					76,685
Overprovision in prior years in respect of cost of film rights	-	(17,677)	-	-	(17,677)
					59,008
Allowance for (reversal of allowance for) bad and doubtful debts	34	361	12	(350)	57

# Notes to the Financial Statements

For the year ended 31st March, 2005

## 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					
<b>ASSETS</b>					
Segment assets	47,445	218,037	4,830	2,041	272,353
Unallocated corporate assets					20,465
Consolidated total assets					292,818
<b>LIABILITIES</b>					
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

## 5. SEGMENT INFORMATION (Continued)

### (b) By geographical market

	Turnover	
	2005 HK\$'000	2004 HK\$'000
Greater China		
– Hong Kong	<b>124,174</b>	138,764
– Mainland China	<b>30,465</b>	12,332
– Taiwan	<b>8,816</b>	13,883
Japan	<b>42,656</b>	12,305
Other Asian countries	<b>6,021</b>	28,559
North America	<b>21,953</b>	155,608
Other areas	<b>11,052</b>	17,278
	<b>245,137</b>	378,729

	Carrying amount of segment assets		Additions to property, plant and equipment and film rights	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Greater China				
– Hong Kong	<b>214,648</b>	151,627	<b>76,145</b>	47,002
– Mainland China	<b>28,454</b>	9,152	<b>540</b>	428
– Taiwan	<b>2,299</b>	3,381	–	188
Japan	–	262	–	–
Other Asian countries	<b>624</b>	119	–	–
Ireland	<b>75,185</b>	126,917	–	1,743
North America	–	1,360	–	–
	<b>321,210</b>	292,818	<b>76,685</b>	49,361

# Notes to the Financial Statements

For the year ended 31st March, 2005

## 6. PROFIT FROM OPERATIONS

	2005 HK\$'000	2004 HK\$'000
Profit from operations has been arrived at after charging:		
Directors' remuneration ( <i>note 7(a)</i> )	<b>3,886</b>	3,507
Retirement benefits scheme contributions, net of forfeited contributions of HK\$95,000 (2004: HK\$103,000)	<b>1,114</b>	1,122
Other staff costs	<b>33,853</b>	33,218
Total staff costs	<b>38,853</b>	37,847
Allowance for bad and doubtful debts	<b>57</b>	793
Amortisation of film rights charged to cost of film and television programme production and distribution	<b>107,087</b>	212,177
Auditors' remuneration		
– current year	<b>1,338</b>	1,370
– (over) under provision in prior years	<b>(205)</b>	439
Depreciation of property, plant and equipment	<b>2,178</b>	1,627
Impairment loss on film rights recognised and included in cost of film and television programme production and distribution	<b>1,039</b>	–
Loss on disposal of property, plant and equipment	<b>348</b>	–
Operating lease rentals in respect of rented premises	<b>4,207</b>	3,379
and after crediting:		
Interest income	<b>249</b>	101
Rental income	<b>753</b>	321

## 7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
<b>(a) Directors</b>		
Independent non-executive directors Fees	<b>250</b>	200
Non-executive directors Fees	<b>130</b>	200
Executive directors		
Fees	<b>300</b>	300
Salaries and other benefits	<b>3,000</b>	2,604
Bonuses	<b>125</b>	125
Retirement benefits scheme contributions	<b>81</b>	78
	<b>3,506</b>	3,107
Total directors' emoluments	<b>3,886</b>	3,507

The emoluments of the directors were as follows:

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Director A	<b>100</b>	100
Director B	<b>100</b>	100
Director C	<b>100</b>	100
Director D	<b>100</b>	100
Director E	<b>50</b>	100
Director F	<b>30</b>	100
Director G	–	–
Director H	<b>3,306</b>	2,907
Director I	<b>50</b>	N/A
Director J	<b>50</b>	N/A

# Notes to the Financial Statements

For the year ended 31st March, 2005

## 7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

### (b) Employees

During the year, the five highest paid individuals included one director (2004: one director). The total emoluments of the remaining four (2004: four) highest paid individuals were as follows:

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Salaries and other benefits	<b>4,620</b>	5,503
Bonuses	<b>112</b>	80
Retirement benefits scheme contributions	<b>106</b>	167
	<b>4,838</b>	5,750
	<b>Number of individuals</b>	
	<b>2005</b>	2004
Emoluments of the employees were within the following bands:		
Nil – HK\$1,000,000	<b>2</b>	1
HK\$1,000,001 – HK\$1,500,000	<b>1</b>	1
HK\$1,500,001 – HK\$2,000,000	<b>1</b>	2

During the year, no emoluments (2004: nil) 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.

## 8. FINANCE COSTS

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Interest on:		
– bank borrowings	–	1,632
– other borrowings	<b>2,844</b>	4,257
Total borrowing costs	<b>2,844</b>	5,889
Less: Amount capitalised in film rights	–	(1,397)
	<b>2,844</b>	4,492

## 9. TAXATION

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
The charge comprises:		
Hong Kong Profits Tax calculated at 17.5% of the estimated assessable profits for the year	<b>8,700</b>	632
Overprovision in prior years	<b>(25)</b>	–
	<b>8,675</b>	632

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

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Profit before taxation	<b>17,882</b>	20,188
Tax charge of Hong Kong Profits Tax at 17.5%	<b>3,129</b>	3,533
Tax effect of expenses not deductible for tax purpose	<b>13,683</b>	7,109
Tax effect of income not taxable for tax purpose	<b>(14,663)</b>	(9,781)
Tax effect of tax losses not recognised	<b>7,882</b>	4,088
Tax effect of utilisation of tax losses previously not recognised	<b>(1,975)</b>	(6,164)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>719</b>	1,864
Overprovision in prior years	<b>(25)</b>	–
Others	<b>(75)</b>	(17)
Tax charge for the year	<b>8,675</b>	632

At 31st March, 2005, the Group had unused tax losses of HK\$181,300,000 (2004: HK\$147,500,000) 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.



# Notes to the Financial Statements

For the year ended 31st March, 2005

## 10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the year of HK\$10,689,000 (2004: HK\$20,656,000) and the 260,000,000 shares in issue during both years.

Diluted earnings 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	Computer equipment	Furniture and fixtures	Office equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>THE GROUP COST</b>						
At 1st April, 2004	2,981	2,934	1,933	2,752	985	11,585
Currency realignment	1	18	4	8	–	31
Additions	677	749	267	473	911	3,077
Disposals	(283)	(11)	(196)	(188)	(400)	(1,078)
<b>At 31st March, 2005</b>	<b>3,376</b>	<b>3,690</b>	<b>2,008</b>	<b>3,045</b>	<b>1,496</b>	<b>13,615</b>
<b>DEPRECIATION</b>						
At 1st April, 2004	2,151	2,318	1,089	2,127	510	8,195
Currency realignment	–	5	1	2	–	8
Provided for the year	628	585	375	262	328	2,178
Eliminated on disposals	(61)	(10)	(130)	(185)	(240)	(626)
<b>At 31st March, 2005</b>	<b>2,718</b>	<b>2,898</b>	<b>1,335</b>	<b>2,206</b>	<b>598</b>	<b>9,755</b>
<b>NET BOOK VALUE</b>						
<b>At 31st March, 2005</b>	<b>658</b>	<b>792</b>	<b>673</b>	<b>839</b>	<b>898</b>	<b>3,860</b>
At 31st March, 2004	830	616	844	625	475	3,390

## 12. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	11,333	11,333
Amount due from a subsidiary	100,710	101,549
	<b>112,043</b>	112,882

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, 2005 are set out in note 28.

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

## 13. PREPAYMENTS AND OTHER RECEIVABLES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Prepaid artiste fees ( <i>note (a)</i> )	19,362	24,373
Prepaid salaries ( <i>note (b)</i> )	2,017	3,365
Loans to artistes ( <i>note (c)</i> )	4,688	4,064
Staff loans ( <i>note (d)</i> )	632	654
Other prepayments and receivables	36,990	11,403
	<b>63,689</b>	43,859
The amount of prepayments and other receivables is analysed for reporting purpose as follows:		
Non-current portion	10,228	13,007
Current portion	53,461	30,852
	<b>63,689</b>	43,859

## 13. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

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 recouped 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 date is analysed for reporting purpose as follows:

	<b>THE GROUP</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Non-current portion	<b>8,408</b>	11,034
Current portion	<b>10,954</b>	13,339
	<b>19,362</b>	24,373

- (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.

## 13. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(b) (Continued)

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

	THE GROUP					
	Mr. Ng Yu HK\$'000	2005 Other employees HK\$'000	Total HK\$'000	Mr. Ng Yu HK\$'000	2004 Other employees HK\$'000	Total HK\$'000
Non-current portion	-	617	617	1,000	633	1,633
Current portion	1,000	400	1,400	1,500	232	1,732
	<b>1,000</b>	<b>1,017</b>	<b>2,017</b>	<b>2,500</b>	<b>865</b>	<b>3,365</b>

(c) The loans to artistes are unsecured and have no fixed repayment terms. An amount of HK\$1,181,000 (2004: HK\$300,000) 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 date is analysed for reporting purpose as follows:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Non-current portion	585	118
Current portion	4,103	3,946
	<b>4,688</b>	<b>4,064</b>

(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 date is analysed for reporting purpose as follows:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Non-current portion	350	222
Current portion	282	432
	<b>632</b>	<b>654</b>

# Notes to the Financial Statements

For the year ended 31st March, 2005

## 14. FILM RIGHTS

	<b>THE GROUP</b> HK\$'000
<b>COST</b>	
At 1st April, 2004	460,483
Additions	73,608
Overprovision in prior years	(17,677)
<b>At 31st March, 2005</b>	<b>516,414</b>
<b>AMORTISATION AND IMPAIRMENT</b>	
At 1st April, 2004	271,330
Provided for the year	107,087
Impairment loss recognised in the year	1,039
<b>At 31st March, 2005</b>	<b>379,456</b>
<b>CARRYING AMOUNT</b>	
<b>At 31st March, 2005</b>	<b>136,958</b>
At 31st March, 2004	189,153

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

	<b>THE GROUP</b>	
	<b>2005</b> HK\$'000	2004 HK\$'000
Non-current portion	<b>3,719</b>	4,828
Current portion	<b>133,239</b>	184,325
	<b>136,958</b>	189,153

At 31st March, 2005, the cost of film rights includes interest capitalised of HK\$8,451,000 (2004: HK\$8,451,000).

During the year, the Group undertook a review of its library of film rights to assess the marketability of respective film rights and the corresponding recoverable amounts. The carrying amount of certain of the film rights amounting to HK\$1,039,000 was written off to the consolidated income statement.

## 15. INVENTORIES AND RECORD MASTERS

	<b>THE GROUP</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Record masters	<b>4,320</b>	4,746
Finished goods	–	19
	<b>4,320</b>	4,765

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

## 16. TRADE RECEIVABLES

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

	<b>THE GROUP</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Current	<b>42,146</b>	10,608
Overdue		
0 – 30 days	<b>3,822</b>	4,491
31 – 60 days	<b>3,393</b>	1,311
61 – 90 days	<b>5,767</b>	821
over 90 days	<b>5,792</b>	3,531
	<b>60,920</b>	20,762

## 17. TRADE PAYABLES

The following is an aged analysis of trade payables:

	<b>THE GROUP</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Current	<b>3,198</b>	5,681
Overdue		
0 – 30 days	<b>2,271</b>	1,822
31 – 60 days	<b>2,684</b>	1,336
61 – 90 days	<b>1,512</b>	478
over 90 days	<b>7,718</b>	3,058
	<b>17,383</b>	12,375

## 18. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

### THE GROUP

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

## 19. AMOUNT DUE TO A RELATED COMPANY

### THE GROUP

The amount was a trading balance. The Albert Yeung Discretionary Trust, a discretionary trust set up by Mr. Yeung Sau Shing, Albert ("Mr. Albert Yeung"), a substantial 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, had a deemed interest in this related company.



## 20. MINORITY INTERESTS/LOANS FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES

	<b>THE GROUP</b>	
	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Share of net assets of subsidiaries	<b>1,136</b>	735
Loans from minority shareholders of subsidiaries	<b>2,204</b>	2,725

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.

## 21. SHARE CAPITAL

	<b>Number of shares</b>	<b>Amount</b> HK\$'000
Shares of HK\$0.01 each		
Authorised:		
At 1st April, 2003, 31st March, 2004 and 31st March, 2005	10,000,000,000	100,000
Issued and fully paid:		
At 1st April, 2003, 31st March, 2004 and 31st March, 2005	260,000,000	2,600

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

# Notes to the Financial Statements

For the year ended 31st March, 2005

## 22. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated profits (losses) HK\$'000	Total HK\$'000
<b>THE COMPANY</b>				
At 1st April 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
Net profit for the year	–	–	9,137	9,137
<b>At 31st March, 2005</b>	<b>105,614</b>	<b>11,233</b>	<b>2,149</b>	<b>118,996</b>

- (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 Companies Act 1981 of Bermuda, the contributed surplus of the Company is available for distribution to shareholders. However, a company shall not 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:

	2005 HK\$'000	2004 HK\$'000
Contributed surplus	11,233	11,233
Accumulated profits (losses)	2,149	(6,988)
	<b>13,382</b>	4,245

## 22. 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.

## 23. 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 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.

## 24. OPERATING LEASE COMMITMENTS

### The Group as lessee

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

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Within one year	<b>1,984</b>	3,320
In the second to fifth year inclusive	<b>853</b>	–
	<b>2,837</b>	3,320

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

### The Group as lessor

The Group did not have firm commitments for the rental income received.

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

## 25. OTHER COMMITMENTS

	<b>THE GROUP</b>	
	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Artiste fees	<b>23,510</b>	20,100
Film production costs	<b>28,460</b>	23,884
Acquisition of rights of distribution and exploitation in a film	<b>9,282</b>	–
	<b>61,252</b>	43,984

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

## 26. SHARE OPTION SCHEMES

- (a) On 30th November, 2000, the Company adopted a share option scheme (the "2000 Share Option Scheme") which shall expire on 30th November, 2010 for the primary purpose of providing incentives to the participants. The 2000 Share Option Scheme was terminated in November 2004 as mentioned in (b) below. Under the 2000 Share Option Scheme, the Company might 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 shall be a price determined by the directors of the Company, but might not be less than the higher of the closing price of the shares on the Stock Exchange on the date of grant of the option, the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the date of grant of the option and 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 shall be payable on acceptance of the offer of options.

The maximum number of shares in respect of which options might be granted under the 2000 Share Option Scheme might 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 might 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 2000 Share Option Scheme since its adoption.

## 26. SHARE OPTION SCHEMES (Continued)

- (b) At the annual general meeting of the Company held on 26th August, 2004, the shareholders of the Company approved the adoption of a new share option scheme ("2004 Share Option Scheme") which became effective upon the listing committee of the Stock Exchange granting approval of listing of, and permission to deal in the shares to be issued under the scheme ("Approval"). The Approval was granted on 11th November, 2004 and the 2004 Share Option Scheme became effective pursuant to resolutions of the directors of the Company on the same date. The 2004 Share Option Scheme is valid and effective for a period of ten years from 11th November, 2004. The 2000 Share Option Scheme was terminated immediately upon the adoption of the 2004 Share Option Scheme. The purpose of the 2004 Share Option Scheme is to provide incentives or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest ("Invested Entity"). The 2004 Share Option Scheme permits the Company to grant options to any employee or proposed employee (whether full-time or part-time employee, including any executive director) and non-executive director (including independent non-executive directors) of the Company, its subsidiaries or any Invested Entity, any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholders or any participants who contribute to the development and growth of the Group or any Invested Entity. Under the 2004 Share Option Scheme, the subscription price for the shares will be a price determined by the directors of the Company, but shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant, which must be a trading day; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the grant; and (iii) the nominal value of a share. An offer for the grant of options must be accepted within 28 days from the date of the offer and a nominal consideration of HK\$1 is payable on acceptance of the offer of options.

The total number of shares in respect of which options may be granted under the 2004 Share Option Scheme shall not in aggregate exceed 26,000,000 shares unless further shareholders' approval has been obtained. The overall limit in the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2004 Share Option Scheme and any other schemes shall not exceed 30% of the shares of the Company in issue from time to time.

## 26. SHARE OPTION SCHEMES (Continued)

### (b) (Continued)

Each grant of options to any director, chief executive, management shareholder or substantial shareholder of the Company, or any of their respective associates, must be approved by all independent non-executive directors of the Company. Where any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares of the Company issued and to be issued upon exercise of all options already granted or to be granted to such person in the 12-month period representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5,000,000, such further grant of options must be approved by the shareholders with the connected persons of the Company abstaining from voting.

Subject to the aforesaid, the total number of shares issued and to be issued upon exercise of the options granted and to be granted to each grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue. Any further grant of options in excess of the limit shall be subject to the shareholders' approval with such grantee abstaining from voting.

The Company had not granted any option under the 2004 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.



## 27. RELATED PARTY TRANSACTIONS

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

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Distribution and promotion commission income received	<b>8,070</b>	466
Fee received for back office support services (including accounting and tax consultancy services)	<b>1,335</b>	–
Fee received for professional services (including legal, and production assistance and consultancy services)	<b>601</b>	–
Advertising and promotion expenses paid	<b>370</b>	673
Car park rentals paid	<b>110</b>	121
Corporate secretarial fee paid	<b>320</b>	320
Fees paid for back office support services (including accounting, tax and financial services, internal auditing, human resources and administrative services)	<b>312</b>	348
Fees paid for professional services (including information technology, legal and secretarial services)	<b>690</b>	683
Interest paid to ultimate holding company	<b>2,844</b>	4,257
Management fees and air-conditioning charges paid	<b>718</b>	677
Office management fee paid	<b>100</b>	120
Operating lease rentals paid	<b>2,153</b>	2,098

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.

## 28. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31st March, 2005 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
<i>Directly held</i>				
Mile Oak Profits Limited	British Virgin Islands	Ordinary – US\$6	100%	Investment holding
Music Icon Entertainment Limited	British Virgin Islands	Ordinary – US\$1	100%	Investment holding
<i>Indirectly held</i>				
Artlanda Limited	Hong Kong	Ordinary – HK\$2	100%	Production of films and provision of agency services to group companies
Bond Cheer Limited	Hong Kong	Ordinary – HK\$1	100%	Concert management and organisation
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

# Notes to the Financial Statements

For the year ended 31st March, 2005

## 28. 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 Entertainment Limited	Hong Kong	Ordinary – HK\$2	100%	Trading and production of audio-visual products, licensing of musical works, and concert management and organisation
Emperor Entertainment Management Limited (formerly known as Music Icon Publishing Limited)	Hong Kong	Ordinary – HK\$2	100%	Licensing of musical works
Emperor Motion Picture (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	British Virgin Islands/Japan and Macau	Ordinary – US\$1	100%	Production and distribution of films and licensing of distribution rights
Emperor Motion Picture 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, and provision of event production services
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 – Euro 4	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

## 28. 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
中唱英皇（北京）文化發展有限公司	Mainland China	Capital contribution – RMB5,000,000	60%	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 and 中唱英皇（北京）文化發展有限公司 are sino-foreign equity joint ventures and all other companies are limited liability companies.

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.

	<b>2005</b> <b>HK\$'000</b>	<b>Year ended 31st March,</b>			
		2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
<b>RESULTS</b>					
Turnover	<b>245,137</b>	378,729	166,482	154,713	122,399
Other operating income	<b>13,707</b>	6,725	7,447	6,474	5,768
Cost of music production and distribution	<b>(37,018)</b>	(45,582)	(67,592)	(58,324)	(64,998)
Cost of self-organised events	<b>–</b>	–	(9,050)	(28,108)	(5,883)
Cost of provision of event production services	<b>(3,347)</b>	–	–	–	–
Cost of film and television programme production and distribution	<b>(108,748)</b>	(215,226)	(32,337)	(31,176)	–
Distribution costs	<b>(30,975)</b>	(43,725)	(24,520)	(17,065)	(8,595)
Administrative expenses	<b>(58,030)</b>	(56,241)	(51,554)	(51,171)	(39,364)
Profit (loss) from operations	<b>20,726</b>	24,680	(11,124)	(24,657)	9,327
Finance costs	<b>(2,844)</b>	(4,492)	(4,820)	(2,725)	(28)
Share of results of associates	<b>–</b>	–	(3)	(16)	(611)
Profit (loss) before taxation	<b>17,882</b>	20,188	(15,947)	(27,398)	8,688
Taxation	<b>(8,675)</b>	(632)	–	–	–
Profit (loss) before minority interests	<b>9,207</b>	19,556	(15,947)	(27,398)	8,688
Minority interests	<b>1,482</b>	1,100	7	–	–
Net profit (loss) for the year	<b>10,689</b>	20,656	(15,940)	(27,398)	8,688

	<b>2005</b> <b>HK\$'000</b>	<b>At 31st March,</b>			
		2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
Total assets	<b>321,210</b>	292,818	514,735	403,990	182,927
Total liabilities	<b>(198,684)</b>	(181,080)	(426,307)	(297,477)	(68,053)
Minority interests	<b>(1,136)</b>	(735)	1,921	–	–
Shareholders' funds	<b>121,390</b>	111,003	90,349	106,513	114,874

*Note:* The results for the year ended 31st March, 2001 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 that year.