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

(Incorporated in Bermuda with limited liability)

GEM Stock Code : 8078

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

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*This report, for which the directors of Emperor Entertainment Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

**EMPEROR ENTERTAINMENT GROUP LIMITED (STOCK CODE: 8078)****MANAGEMENT DISCUSSION AND ANALYSIS**

For the three months (“Quarterly Period”) and six months (“Half Yearly Period”) ended 30th September, 2006, the Company and its subsidiaries (collectively referred to as the “Group”) had recorded a turnover of approximately HK\$41.3 million (2005: HK\$ 54.1 million) and HK\$95.9 million (2005: HK\$81.3 million), representing a decrease of 23.7% and an increase of 18% respectively as compared with the last corresponding periods. A net loss of approximately HK\$4.3 million (2005: net profit of approximately HK\$10.8 million) and a net profit of approximately HK\$4.1 million (2005: HK\$5.5 million) were recorded respectively for the Quarterly Period and the Half Yearly Period. The increase in turnover for the Half Yearly Period was mainly driven by the further growth in the film and television businesses.

**OPERATION REVIEW****Music Production and Distribution**

Revenue from music production and distribution, comprising licence income, multimedia income and sales of albums, which accounted for 36.7% of the Group’s total revenue for the Half Yearly Period, increased by 23.6% to approximately HK\$35.2 million (2005: HK\$28.4 million). A loss of approximately HK\$7.6 million was recorded for the Half Yearly Period, as against a loss of HK\$1 million for the same period in 2005. Rampant copyright infringement activities such as free internet download and copying through re-writable disc drives as well as keen competition have adversely affected the industry.

During the Half Yearly Period, licence income of musical products rose 107.4% to approximately HK\$19.2 million. Multimedia income from provision of idols-based mobile entertainment services such as connecting tones, content download and mobile games, increased 11.7% to approximately HK\$3.6 million. Sales of music albums, on the other hand, dropped 22.5% to approximately HK\$12.4 million.

The Group is committed to making quality music records. During the Half Yearly Period, the Group released 38 music albums (2005: 37) including 33 for its own artistes. The Group had won 16 awards in various musical functions and presentations up to the date of this report.

**Film and Television Programme Production and Distribution**

The segmental result for this sector turned around and recorded a profit of approximately HK\$7.3 million (2005: a loss of HK\$5.3 million). Revenue from this sector, which accounted for 43.6% of the Group’s total revenue for the Half Yearly Period, increased by 89.3% to approximately HK\$41.8 million (2005: HK\$22.1 million).

During the Quarterly Period, the distribution arm of Emperor Motion Pictures (“EMP”) had devoted much time and efforts to the preparation of the commercial release of JCE Movies’ latest Jackie Chan blockbuster “Rob-B-Hood”. The action comedy, directed by Benny Chan and also starring Louis Koo, Michael Hui and an all-star ensemble cast, was world-premiered during the prestigious Venice International Film Festival where it received a rousing reception by audience and critics alike. The film successfully opened theatrically throughout Asia on 29th September, 2006. Sales of “Rob-B-Hood” as well as other films directed by Susie Au, Ho Ping, Yin Li, Kong Tao-hoi and Chen Yifei, had also been launched in this year’s Cannes Film Festival.

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

During the Quarterly Period, production of "The Drummer", a new film by award-winner Kenneth Bi, has commenced. The principal photography of "Twins Mission" (formerly known as "Let's Steal Together") has been completed and is currently in post-production, scheduling for release in Asia during the coming Chinese New Year period. Other co-productions and independent pick-ups such as "Ming Ming" by Susie Au, "Sweet Revenge" by Ho Ping and "The Knot" by Yin Li had also completed production and are scheduled for release during the third and fourth quarters of this financial year. Concurrently, EMP continues to develop other feature film and television projects with filmmakers including Jeff Lau, Larry Lau, Alex Law and Dante Lam. A number of these projects are expected to go into production in early 2007.

**Artiste Management**

This segment's revenue maintained a steady level, and amounted to approximately HK\$17.1 million (2005: HK\$14.5 million) for the Half Yearly Period, an increase of 17.9% compared with the same period last year, and contributed approximately HK\$6.6 million (2005: HK\$8.6 million) to the Group's result.

During the Half Yearly Period, the Group had recruited 13 new artistes and managed a total of 56 artistes at the end of the Half Yearly Period.

**Event Production**

Revenue from this segment tended to be rather volatile, depending on the concerts and events held during the period. During the Half Yearly Period, the Group recorded revenue of approximately HK\$1.8 million (2005: HK\$16.2 million).

The Group had co-organised 10 concerts during the Half Yearly Period, including concerts featuring its own artistes such as Joey Yung and Chang Hsin Che, and renowned outside artistes such as Paul Anka and Connie Francis in Hong Kong and Rolling Stones in Shanghai. The Group had also organised 50 sold-out shows of the Chinese costume musical, "Only You", which starred Adam Cheng and Chan Po-chu during July to September, 2006.

**CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES**

There is no material change in the Group's sources of fund to finance its operation and capital expenditure, as well as capital structure as disclosed in the Group's annual report for the year ended 31st March, 2006.

As at 30th September, 2006, current assets and liabilities of the Group were approximately HK\$136.2 million and HK\$113.5 million respectively. As at 30th September, 2006, unsecured advances from Surplus Way Profits Limited ("Surplus Way"), the ultimate holding company of the Company, amounted to approximately HK\$19.5 million, which was denominated in Hong Kong dollars with interest at the Hong Kong prime rate and had no fixed repayment term.

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

Other than disclosed above, the Group had no other external borrowings as at the end of the Half Yearly Period. With the borrowings and cash held in bank and on hand mainly denominated in U.S. dollars, Hong Kong dollars and Reminbi, the Group experienced no significant exposure to foreign exchange rate fluctuation.

As at 30th September, 2006, the Group's gearing ratio (expressed as a percentage of total borrowings over net asset value) rose from 23% in the preceding financial year to 26%, which was mainly due to additional advances from Surplus Way during the Half Yearly Period.

Together with the cash flow generated by the operation of the Group in its ordinary course of business and its existing loan facility, the board of directors (the "Board") expected the Group to have sufficient working capital for its operation.

**COMMITMENTS**

As at 30th September, 2006, the Group had total commitments of approximately HK\$41.6 million, which comprised HK\$3.7 million for operating leases, HK\$11.7 million for artiste fees and HK\$26.2 million for film production costs.

**NUMBER AND REMUNERATION OF EMPLOYEES**

The Group's number of employees as at 30th September, 2006 was 121 (31st March, 2006: 118) and total staff costs for the Half Yearly Period was approximately HK\$19.6 million (for the year ended 31st March, 2006: HK\$42.9 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 Half Yearly Period.

**PROSPECTS**

In the midst of the competitive business environment and the severe piracy problems overshadowing the whole industry, the Group continues to explore new revenue streams. In November 2006, the Group closed a contract with TVB Pay Vision Limited to license EEG Channel, a local channel broadcasting programmes produced by the Group and anchored by the Group's artistes on a daily basis, commencing from December 2006. The management was excited to enter into this new frontier and expects it to contribute steady income to the Group. By capitalising on the Group's talent bank and expertise, the management expects the Group to be able to sustain its growing momentum.

EMP anticipated a busy second half financial year on both the distribution and production fronts. Following hot on the heels of the highly successful release of "Rob-B-Hood", other newly completed productions, including "Ming Ming", "Sweet Revenge" as well as "The Knot", will be launched theatrically throughout the Asian region. Production is scheduled at the same time to commence on a number of feature film projects presently under development.

The Board announces the unaudited consolidated financial statements of the Group for the Quarterly Period and the Half Yearly Period together with the comparative figures for the corresponding periods in 2005 as set out below.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30th September, 2006

	Notes	Three months ended 30th September,		Six months ended 30th September,	
		2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Revenue	2 & 3	<b>41,305</b>	54,101	<b>95,872</b>	81,262
Other income		<b>460</b>	2,874	<b>2,666</b>	5,319
Cost of music production and distribution		<b>(18,576)</b>	(10,467)	<b>(29,817)</b>	(20,228)
Cost of film and television programme production and distribution		<b>(7,197)</b>	(13,450)	<b>(28,708)</b>	(17,486)
Cost of provision of event production services		<b>(994)</b>	(988)	<b>(1,069)</b>	(2,471)
Distribution costs		<b>(4,277)</b>	(4,589)	<b>(5,840)</b>	(8,013)
Administrative expenses		<b>(14,849)</b>	(15,463)	<b>(28,474)</b>	(30,148)
Finance costs		<b>(53)</b>	(1,284)	<b>(154)</b>	(2,512)
Gain on disposal of a subsidiary	4	<b>-</b>	-	<b>822</b>	-
(Loss) profit before tax		<b>(4,181)</b>	10,734	<b>5,298</b>	5,723
Income tax expense	5	<b>(168)</b>	(485)	<b>(1,269)</b>	(1,233)
(Loss) profit for the period	6	<b>(4,349)</b>	10,249	<b>4,029</b>	4,490
Attributable to:					
Equity holders of the Company		<b>(4,310)</b>	10,823	<b>4,112</b>	5,525
Minority interests		<b>(39)</b>	(574)	<b>(83)</b>	(1,035)
		<b>(4,349)</b>	10,249	<b>4,029</b>	4,490
(Loss) earnings per share	7				
– basic		<b>(1.66) cents</b>	4.16 cents	<b>1.58 cents</b>	2.13 cents
– diluted		<b>N/A</b>	N/A	<b>N/A</b>	N/A

**CONDENSED CONSOLIDATED BALANCE SHEET**

At 30th September, 2006

	Notes	<b>30th September, 2006 (unaudited) HK\$'000</b>	31st March, 2006 (audited) HK\$'000
Non-current assets			
Property, plant and equipment	8	<b>1,840</b>	2,102
Prepayments and other receivables		<b>11,483</b>	9,244
Film rights	8	<b>45,508</b>	55,335
		<b>58,831</b>	66,681
Current assets			
Inventories and record masters		<b>1,570</b>	2,335
Trade receivables	9	<b>38,561</b>	21,648
Prepayments and other receivables		<b>35,574</b>	37,871
Bank balances and cash		<b>60,507</b>	68,551
		<b>136,212</b>	130,405
Assets classified as held for sale		-	3,181
		<b>136,212</b>	133,586
Current liabilities			
Trade payables	10	<b>9,839</b>	8,354
Other payables and accrued charges		<b>80,313</b>	84,871
Amount due to ultimate holding company		<b>19,502</b>	16,050
Amount due to a related company		-	8,999
Loan from a minority shareholder of a subsidiary		<b>2,000</b>	2,000
Tax payable		<b>1,796</b>	611
		<b>113,450</b>	120,885
Liabilities directly associated with assets classified as held for sale		-	1,266
		<b>113,450</b>	122,151
Net current assets		<b>22,762</b>	11,435
		<b>81,593</b>	78,116
Capital and reserves			
Share capital		<b>2,600</b>	2,600
Reserves		<b>80,587</b>	76,230
Equity attributable to equity holders of the Company		<b>83,187</b>	78,830
Minority interests		<b>(1,594)</b>	(714)
Total equity		<b>81,593</b>	78,116

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30th September, 2006

	Attributable to equity holders of the Company						Total	Minority interests	Total equity
	Share capital	Share premium	Contributed surplus	Special reserve	Translation reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st April, 2005, as originally stated	2,600	105,614	91,063	75,000	(528)	(152,359)	121,390	1,136	122,526
Effect of change in accounting policy	-	-	-	-	-	(2,560)	(2,560)	-	(2,560)
As restated	2,600	105,614	91,063	75,000	(528)	(154,919)	118,830	1,136	119,966
Exchange differences on translation of overseas operations recognised directly in equity	-	-	-	-	(99)	-	(99)	42	(57)
Profit (loss) for the period	-	-	-	-	-	5,525	5,525	(1,035)	4,490
Total recognised (expense) income for the period	-	-	-	-	(99)	5,525	5,426	(993)	4,433
Dividend payable for 2005	-	-	(7,280)	-	-	-	(7,280)	-	(7,280)
At 30th September, 2005	2,600	105,614	83,783	75,000	(627)	(149,394)	116,976	143	117,119
At 1st April, 2006	2,600	105,614	83,783	75,000	(699)	(187,468)	78,830	(714)	78,116
Exchange differences on translation of overseas operations recognised directly in equity	-	-	-	-	245	-	245	11	256
Profit (loss) for the period	-	-	-	-	-	4,112	4,112	(83)	4,029
Total recognised income (expense) for the period	-	-	-	-	245	4,112	4,357	(72)	4,285
Eliminated on disposal of a subsidiary	-	-	-	-	-	-	-	(808)	(808)
<b>At 30th September, 2006</b>	<b>2,600</b>	<b>105,614</b>	<b>83,783</b>	<b>75,000</b>	<b>(454)</b>	<b>(183,356)</b>	<b>83,187</b>	<b>(1,594)</b>	<b>81,593</b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30th September, 2006*

	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2006</b>	2005
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Net cash from operating activities	<b>5,406</b>	62,063
Net cash used in investing activities	<b>(17,693)</b>	(343)
Net cash from (used in) financing activities	<b>3,298</b>	(64,322)
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Net decrease in cash and cash equivalents	<b>(8,989)</b>	(2,602)
Cash and cash equivalents at beginning of the period	<b>69,496</b>	51,463
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Cash and cash equivalents at end of the period	<b>60,507</b>	48,861
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Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	<b>60,507</b>	48,861
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Notes:

## **1. General and basis of preparation**

The Company is incorporated as an exempted company with limited liability in Bermuda under the Bermuda Companies Act. Its shares are listed on GEM of the Stock Exchange. The Company's ultimate holding company is Surplus Way, a company which is incorporated in the British Virgin Islands. The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company in Hong Kong is 28/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of its principal subsidiaries are engaged in trading and production of audio-visual products, licensing of musical works, film and television programme production, distribution and licensing, provision of management services to artistes, concert management and organisation, and provision of event production services.

The unaudited consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosure requirements under Chapter 18 of the GEM Listing Rules.

The accounting policies adopted for preparation of the unaudited consolidated financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31st March, 2006.

Certain comparative figures have been reclassified to conform with the Quarterly Period's and the Half Yearly Period's presentation.

Notes: (Continued)

## 2. Revenue

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

	Three months ended 30th September, 2006 (unaudited) HK\$'000		Six months ended 30th September, 2006 (unaudited) HK\$'000	
	2005 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Music production and distribution				
– sales of albums	6,846	6,750	12,356	15,949
– licence income	7,938	4,660	19,191	9,251
– multimedia income	1,786	2,520	3,621	3,242
	<b>16,570</b>	13,930	<b>35,168</b>	28,442
Film and television programme production, distribution and licensing				
– production of films and television programmes and licensing of the corresponding rights	7,083	15,263	32,437	17,066
– distribution of films and television programmes	8,160	3,724	9,335	5,003
	<b>15,243</b>	18,987	<b>41,772</b>	22,069
Artiste management fee income	8,571	7,293	17,149	14,542
Event production				
– (loss) income from jointly organised events	(729)	12,671	(467)	13,425
– income from provision of event production services	1,650	1,220	2,250	2,784
	<b>921</b>	13,891	<b>1,783</b>	16,209
	<b>41,305</b>	54,101	<b>95,872</b>	81,262

Notes: (Continued)

### 3. Segment Information

An analysis of the Group's business segment on which the Group reports its primary segment information is presented as follows:

	Six months ended 30th September,			
	2006	Contribution to profit	2005	Contribution to profit for
	Revenue for the period (unaudited) HK\$'000	Revenue for the period (unaudited) HK\$'000	Revenue (unaudited) HK\$'000	the period (unaudited) HK\$'000
Music production and distribution	<b>35,168</b>	<b>(7,574)</b>	28,442	(1,008)
Film and television programme production, distribution and licensing	<b>41,772</b>	<b>7,300</b>	22,069	(5,279)
Artiste management	<b>17,149</b>	<b>6,582</b>	14,542	8,574
Event production	<b>1,783</b>	<b>(496)</b>	16,209	7,421
	<b><u>95,872</u></b>	<b><u>5,812</u></b>	<u>81,262</u>	<u>9,708</u>
Other income not allocated to principal activities		<b>1,725</b>		596
Unallocated corporate expenses		<b>(2,907)</b>		(2,069)
Finance costs		<b>(154)</b>		(2,512)
Gain on disposal of a subsidiary		<b>822</b>		-
Profit before tax		<b>5,298</b>		5,723
Income tax expense		<b>(1,269)</b>		(1,233)
Profit for the period		<b><u>4,029</u></b>		<u>4,490</u>

Notes: (Continued)

#### 4. Gain on Disposal of a Subsidiary

On 30th December, 2005, the Group entered into an agreement with the minority shareholder of a subsidiary, 北京中北英皇文化發展有限公司(“中北英皇”), which was engaged in provision of management services to artistes and holding company of an artiste training school, for disposal of its 60% equity interest in 中北英皇 to the minority shareholder. Such disposal was completed on 14th June, 2006 (“Date of Disposal”), on which date control of 中北英皇 was passed to the minority shareholder.

The net assets of 中北英皇 at the Date of Disposal and as at 31st March, 2006 were as follows:

	<b>At 14th June, 2006 HK\$'000</b>	At 31st March, 2006 HK\$'000
Loan to a minority shareholder of a subsidiary	<b>60</b>	60
Property, plant and equipment	<b>1,154</b>	1,154
Prepayments and other receivables – non-current portion	<b>276</b>	276
Prepayments and other receivables – current portion	<b>448</b>	544
Trade receivables	<b>202</b>	202
Bank balances and cash	<b>1,076</b>	945
Other payables and accrued charges	<b>(1,290)</b>	(1,266)
Intercompany debts	<b>104</b>	116
Minority interests	<b>(808)</b>	(809)
	<b>1,222</b>	1,222
Waiver of intercompany debts	<b>(104)</b>	
Translation reserve realised	<b>(19)</b>	
Gain on disposal of a subsidiary	<b>822</b>	
Total consideration	<b>1,921</b>	
Satisfied by:		
Cash	<b>1,921</b>	
Net cash inflow arising on disposal of a subsidiary:		
Cash consideration received	<b>1,921</b>	
Cash and cash equivalent disposed of:	<b>(1,076)</b>	
	<b>845</b>	

Notes: (Continued)

#### 4. Gain on Disposal of a Subsidiary (Continued)

The impact of the disposal of 中北英皇 on the Group's revenue and results in the period up to the Date of Disposal and prior year were as follow:

	<b>Period ended 14th June, 2006 HK\$'000</b>	Year ended 31st March, 2006 HK\$'000
Revenue	-	323
Other income	-	1,823
Distribution costs	-	(570)
Administrative expenses	-	(3,541)
Minority interest	-	786
	<hr/>	<hr/>
Loss attributable to equity holders of the Company	<b>-</b>	<b>(1,179)</b>

During the period up to the Date of Disposal, 中北英皇 had no significant impact on cash flows of the Group. In the prior year, 中北英皇 paid approximately HK\$1,434,000 in respect of the Group's net operating cash flows, paid approximately HK\$232,000 in respect of investing activities and paid approximately HK\$398,000 in respect of financing activities.

#### 5. Income Tax Expense

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

No provision for income tax in respect of operations in overseas has been made as the Group has no assessable profits in the respective jurisdictions for both periods.

Notes: (Continued)

## 6. (Loss) Profit for the Period

	Three months ended 30th September, 2006 (unaudited) HK\$'000		Six months ended 30th September, 2006 (unaudited) HK\$'000	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
(Loss) profit for the period has been arrived at after charging:				
Amortisation of film rights charged to cost of film and television programme production and distribution	7,192	12,748	28,634	16,825
Depreciation of property, plant and equipment	253	485	498	927
Impairment loss on film rights recognised and included in cost of film and television programme production and distribution	-	159	-	159
	<u>-</u>	<u>159</u>	<u>-</u>	<u>159</u>

## 7. (Loss) Earnings per Share

The calculation of basic (loss) earnings per share is based on the unaudited consolidated loss attributable to equity holders of the Company of approximately HK\$4,310,000 for the Quarterly Period and profit of approximately HK\$4,112,000 for the Half Yearly Period (2005: profits of approximately HK\$10,823,000 and HK\$5,525,000 respectively) and the 260,000,000 ordinary shares in issue during the periods.

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

## 8. Movements in Property, Plant and Equipment and Film Rights

During the Half Yearly Period, the Group acquired property, plant and equipment at a cost of approximately HK\$860,000, disposed of property, plant and equipment with aggregate net book value of approximately HK\$634,000 and spent approximately HK\$18,807,000 on cost of film rights.

Notes: (Continued)

### 9. Trade Receivables

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

	<b>30th September, 2006 (unaudited) HK\$'000</b>	31st March, 2006 (audited) HK\$'000
Current	<b>27,984</b>	8,291
Overdue		
0 - 30 days	<b>5,773</b>	3,250
31 - 60 days	<b>536</b>	3,613
61 - 90 days	<b>1,153</b>	3,624
over 90 days	<b>3,115</b>	2,870
	<b>38,561</b>	21,648

The directors of the Company consider that the carrying amount of trade receivables approximates to their fair value.

### 10. Trade Payables

The following is an aged analysis of trade payables:

	<b>30th September, 2006 (unaudited) HK\$'000</b>	31st March, 2006 (audited) HK\$'000
Current	<b>783</b>	773
Overdue		
0 - 30 days	<b>3,007</b>	2,049
31 - 60 days	<b>1,319</b>	1,283
61 - 90 days	<b>703</b>	220
over 90 days	<b>4,027</b>	4,029
	<b>9,839</b>	8,354

The directors of the Company consider that the carrying amount of trade payables approximates to their fair value.

Notes: (Continued)

## 11. Commitments

### (a) 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>30th September, 2006 (unaudited) HK\$'000</b>	31st March, 2006 (audited) HK\$'000
Within one year	<b>2,583</b>	3,006
In the second to fifth year inclusive	<b>1,122</b>	2,003
	<b>3,705</b>	5,009

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.

### (b) Other commitments

	<b>30th September, 2006 (unaudited) HK\$'000</b>	31st March, 2006 (audited) HK\$'000
Artiste fees	<b>11,725</b>	12,915
Film production costs	<b>26,198</b>	29,463
	<b>37,923</b>	42,378

Notes: (Continued)

## 12. Related Party Transactions

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

	<b>Six months ended 30th September, 2006 (unaudited) HK\$'000</b>	2005 (unaudited) HK\$'000
Distribution and promotion commission income received	<b>9,333</b>	5,497
Fee received for back office support services (including accounting services)	<b>160</b>	300
Fee received for professional services (including legal, and production assistance and consultancy services)	<b>30</b>	483
Advertising and promotion expenses paid	<b>73</b>	157
Corporate secretarial fee paid	<b>160</b>	160
Fees paid for back office support services (including accounting, tax and financial services, internal auditing, human resources and administrative services)	<b>20</b>	150
Fees paid for professional services (including information technology, legal and secretarial services)	<b>-</b>	381
Interest paid to ultimate holding company	<b>154</b>	1,793
Management fees and air-conditioning charges paid	<b>314</b>	327
Operating lease rentals paid	<b>1,191</b>	1,097

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

## DIVIDEND

The Board did not recommend the payment of an interim dividend for the Half Yearly Period (2005: Nil).

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

As at 30th September, 2006, 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 ordinary shares of HK\$0.01 each of the Company

Name of director	Nature of interests	Number of ordinary shares held	Approximate percentage holding
Ms. Luk Siu Man, Semon ("Ms. Semon Luk") ( <i>Note</i> )	Family	203,054,000	78.09%

*Note:* The shares were registered in the name of Surplus Way. The entire issued share capital of Surplus Way was held by Jumbo Wealth Limited ("Jumbo Wealth") on trust for The A&A Unit Trust. The A&A Unit Trust was a unit trust under The Albert Yeung Discretionary Trust (the "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 203,054,000 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 203,054,000 shares held by Surplus Way.

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

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

Name of director	Name of associated corporation	Nature of interests	Number of ordinary share(s)/ underlying shares held	Approximate percentage holding
Ms. Semon Luk	Surplus Way <i>(Note (1))</i>	Family	1	100%
Ms. Semon Luk	Jumbo Wealth <i>(Note (1))</i>	Family	1	100%
Ms. Semon Luk	Charron Holdings Limited ("Charron") <i>(Note (2))</i>	Family	1	100%
Ms. Semon Luk	Emperor International Holdings Limited ("Emperor International") <i>(Note (2))</i>	Family	813,301,411	60.37%
Mr. Wong Chi Fai	Emperor International <i>(Note (3))</i>	Beneficial	10,000,000	0.74%
Ms. Fan Man Seung, Vanessa	Emperor International <i>(Note (3))</i>	Beneficial	10,000,000	0.74%

#### Notes:

- (1) Surplus Way was the registered owner of 203,054,000 shares, representing 78.09% 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 813,301,411 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) Share options were granted to directors under the share option scheme of Emperor International.

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES** *(Continued)***(b) Long positions in shares of associated corporations** *(Continued)*

Save as disclosed above, as at 30th September, 2006, 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 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 SCHEME AND DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

The Company's existing share option scheme (the "Share Option Scheme") was approved for adoption on 26th August, 2004 and became effective on 11th November, 2004 and valid for the next ten years.

The Company had not granted any option under the Share Option Scheme since its adoption.

As at 30th September, 2006, the Company had not granted any right to subscribe for equity or debt securities of the Company to any director or chief executive of the Company or their spouse or children under 18 years of age.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as known to the directors of the Company, as at 30th September, 2006, the persons or corporations (other than the directors or chief executives of the Company) who had interests and short positions in the shares and underlying shares 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 ordinary shares of HK\$0.01 each of the Company

Name	Capacity/ Nature of interests	Number of ordinary shares held	Approximate percentage holding
Surplus Way ( <i>Note</i> )	Beneficial	203,054,000	78.09%
Jumbo Wealth ( <i>Note</i> )	Trustee	203,054,000	78.09%
GZ Trust Corporation ("GZ Trust") ( <i>Note</i> )	Trustee	203,054,000	78.09%
Mr. Albert Yeung ( <i>Note</i> )	Founder of the Trust	203,054,000	78.09%
South China Finance and Management Limited	Beneficial	18,198,000	6.99%
South China Brokerage Company Limited	Interest in a controlled corporation	18,198,000	6.99%
East Hill Development Limited	Interest in a controlled corporation	18,198,000	6.99%
Tek Lee Finance and Investment Corporation Limited	Interest in a controlled corporation	18,198,000	6.99%
South China (BVI) Limited	Interest in a controlled corporation	18,198,000	6.99%
South China Holdings Limited	Interest in a controlled corporation	18,198,000	6.99%
Bannock Investment Limited	Interest in a controlled corporation	18,198,000	6.99%
Earntrade Investments Limited	Interest in a controlled corporation	18,198,000	6.99%

**INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS***(Continued)***Long positions in ordinary shares of HK\$0.01 each of the Company***(Continued)*

<b>Name</b>	<b>Capacity/ Nature of interests</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage holding</b>
Parkfield Holdings Limited	Interest in a controlled corporation	18,198,000	6.99%
Ronastar Investments Limited	Interest in a controlled corporation	18,198,000	6.99%
Fung Shing Group Limited	Interest in a controlled corporation	18,198,000	6.99%
Ms. Cheung Choi Ngor	Persons acting in concert	18,198,000	6.99%
Mr. Richard Howard Gorges	Persons acting in concert	18,198,000	6.99%
Mr. Ng Hung Sang	Persons acting in concert	18,198,000	6.99%

*Note:* The shares were registered in the name of Surplus Way. The entire issued share capital of Surplus Way was held by Jumbo Wealth on trust for The A&A Unit Trust. The A&A Unit Trust was a unit trust under the Trust, a discretionary trust set up by Mr. Albert Yeung. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the 203,054,000 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 the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Securities" above.

Save as disclosed above, as at 30th September, 2006, 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 or underlying shares 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.

## **COMPETING INTERESTS**

The Trust, a discretionary trust set up by Mr. Albert Yeung, a management shareholder of the Company (as defined in the GEM Listing Rules), indirectly held 50% of the shareholding of JCE Movies Limited ("JCE"), a company engaged in the production and distribution of movies. The Trust also indirectly held 100% interest in Prime Time (International) Entertainment Limited ("Prime Time"), a company engaged in the business of television programme production and artiste management. The businesses of JCE and Prime Time 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 and Prime Time 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 had any interest in a business which causes or may cause significant competition with the business of the Group.

## **CORPORATE GOVERNANCE**

The Company had complied throughout the Half Yearly Period with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.

## **MODEL CODE FOR SECURITIES**

The Company had adopted Rules 5.48 to Rules 5.67 of the GEM Listing Rules ("Model Code") as its own code of conduct regarding directors' and senior executives' securities transactions trading. Having made specific enquiry to all the directors of the Company, all the directors confirmed that they had throughout the Half Yearly Period complied with the required standard of dealings as set out in the Model Code.

## **REVIEW OF RESULTS**

The unaudited results of the Group for the Quarterly Period and the Half Yearly Period have been reviewed by the audit committee of the Company, who is of the opinion that the preparation of such results has complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The audit committee comprises 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.

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

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

By Order of the Board

**Luk Siu Man, Semon**

*Chairperson*

Hong Kong, 9th November, 2006

*As at the date hereof, the Board comprised Ms. Luk Siu Man, Semon (Chairperson and Non-executive Director); Mr. Ng Sui Wan alias Ng Yu, Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa (Executive Directors); Mr. Wong Ching Yue, Mr. Chu Kar Wing and Mr. Wong Tak Ming, Gary (Independent Non-executive Directors).*