



THIRD QUARTERLY REPORT 2006 - 2007

EEG

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

(Incorporated in Bermuda with limited liability)

GEM Stock Code : 8078

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## **EMPEROR ENTERTAINMENT GROUP LIMITED (STOCK CODE: 8078)**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the nine months ended 31st December, 2006 ("Nine-Month Period"), Emperor Entertainment Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") recorded net profit amounting to approximately HK\$13.2 million, as against a loss of HK\$23.4 million for the same period in 2005. Revenue slightly dropped 3.4% to approximately HK\$136.8 million (2005: HK\$141.6 million).

For the three months ended 31st December, 2006 ("Quarterly Period"), the Group recorded net profit of approximately HK\$9.1 million, as against a loss of HK\$28.9 million for the previous corresponding period, while turnover amounted to approximately HK\$40.9 million (2005: HK\$60.3 million).

### **OPERATION REVIEW**

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

During the Nine-Month Period, the segment recorded a loss of approximately HK\$8.0 million (2005: a loss of HK\$7.5 million). Turnover, on the other hand climbed 7.0% to approximately HK\$45.8 million (2005: HK\$42.8 million), despite keen competition and serious piracy problems.

The Group had been focusing on making quality music records and exploring new revenue streams, to sustain its market share and combat piracy. Licence income and multimedia income, such as provision of connecting tones, content download and mobile games, for the Nine-Month Period rose 42.4% and 8.1% to approximately HK\$22.2 million and HK\$5.5 million respectively. Sale of music albums, however, was down 18.2% to approximately HK\$18.1 million.

During the Nine-Month Period, the Group released 48 music albums (2005: 57) including 43 for its own artistes. The Group had received 122 awards (2005: 118) in various musical functions and presentations up to the date of this report, including some annual local and nationwide awards in the recent quarter.

#### **Film and Television Programme Production, Distribution and Licensing**

During the Nine-Month Period, this business sector contributed turnover of approximately HK\$56.0 million (2005: HK\$52.3 million) and profit of approximately HK\$8.3 million, as against loss of HK\$35.5 million previously.

Films and television programme production and licensing accounted for approximately HK\$43.9 million of the turnover (2005: HK\$43.8 million) while distribution of films and television programmes contributed turnover of approximately HK\$12.1 million (2005: HK\$8.5 million).

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

During the Quarterly Period, JCE Movies' latest Jackie Chan blockbuster, Rob-B-Hood, was commercially released and distributed by Emperor Motion Pictures ("EMP") throughout Asia. This Benny Chan directed action comedy proved to be both a commercial and critical success at most box-offices in Asia, including China, Hong Kong, Thailand, Singapore and Malaysia.

In November 2006, EMP attended the annual American Film Market in Los Angeles where international sales on its growing slate of films, including Rob-B-Hood, continue unabated.

*Production*

During the Quarterly Period, EMP had concluded negotiation to invest in The Sun Also Rises, the much-anticipated third film by Jiang Wen, one of the foremost contemporary filmmakers in China today. Principal photography of the film, starring Jaycee Chan, Anthony Wong, Joan Chen, Zhou Yun and Jiang Wen himself, has been completed. It is scheduled for release during 2007. EMP will handle sales and distribution of the film throughout the world. In December 2006, The Knot, a film directed by Yin Li, a co-production among EMP, China Film Group and Taiwan's Long Shong International, was commercially released across Asia.

Concurrently, production on The Drummer, the new film by Kenneth Bi which stars Jaycee Chan, Lee Sinje and Tony Leung Ka-fai, and Twins Mission, a film directed by Kong Tao-hai and starring Charlene Choi, Gillian Chung, Sammo Hung and Wu Jing, have also been completed. The latter is scheduled for a Chinese New Year release across Asia in February 2007.

**Artiste Management**

The segment continued to contribute stable income to the Group. Income from artiste management for the Nine-Month Period rose by 24.3% to approximately HK\$28.9 million (2005: HK\$23.2 million), while profit soared by 55.2% to approximately HK\$14.8 million (2005: HK\$9.6 million). The Group managed 54 artistes at the end of the Nine-Month Period. Artistes recruited during the Nine-Month Period included Jeff Chang Hsin Che and three new artistes from EEG Singing Contest 2006, which was co-organised by the Group and Television Broadcasts Limited (TVB).

**Event Production**

During the Nine-Month Period, this segment contributed approximately HK\$6.1 million (2005: HK\$23.2 million) to the Group's revenue and recorded profit of approximately HK\$2.0 million (2005: HK\$14.1 million).

During the Nine-Month Period, the Group had organised 17 concerts, out of which 7 concerts were held during the Quarterly Period, including those featuring Jenny Tsang, Joe Hisaishi, Robin Gibb and Art Garfunkel.

## PROSPECTS

To strengthen its audience reach and boost the popularity of its artistes, the Group had launched a television channel on TVB's pay-television platform. Named EEG Channel, it is the first of its kind in Hong Kong which broadcasts news, interviews, music videos featuring the Group's artistes. Since its launch in November 2006, the channel has been well-received by audience.

The Group had established "Emperor Entertainment Group (China)" (i.e. 英皇星藝(北京)文化發展有限公司) to expand its presence in the lucrative Mainland China market. Emperor Entertainment Group (China) is a wholly-owned subsidiary of the Group which has absolute control over its management and operations. It enables the Group to further strengthen its niche in artiste management and concert production in the mainland market.

The Group had also established a joint venture in Shanghai with Shanghai Film Group Corporation, namely "SFS Emperor" (i.e. 上海上影英皇文化發展有限公司). Shanghai Film Group is a member of China's leading media conglomerate, Shanghai Media & Entertainment Group, which comprises Shanghai Film Studio, Shanghai Animation Film Studio, Shanghai Dubbing Studio, Shanghai Science & Educational Film Studio as well as Shanghai Film Laboratory. SFS Emperor will focus on media content production and nurturing young artistes.

For EMP, development on other feature film and television projects with filmmakers including Jeff Lau, Larry Lau, and Dante Lam continues in the meantime. A number of these projects are expected to go into production in early 2007. With a number of new feature film projects expected to commence production, and completed films such as Ming Ming by Susie Au, Sweet Revenge by Ho Ping, and The Drummer by Kenneth Bi all ready for release, the final quarter of this financial year is expected to be hectic on all fronts.

## RESULTS

The board of directors of the Company (the "Board") announces the unaudited consolidated results of the Group for the Quarterly Period and the Nine-Month Period together with the comparative unaudited figures for the corresponding periods in 2005 as follows:

	Notes	Three months ended		Nine months ended	
		31st December,		31st December,	
		2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Revenue	2	<b>40,887</b>	60,339	<b>136,759</b>	141,601
Other income		<b>2,086</b>	3,324	<b>4,444</b>	8,643
Cost of music production and distribution		<b>(5,924)</b>	(15,225)	<b>(35,741)</b>	(35,453)
Cost of film and television programme production and distribution		<b>(3,285)</b>	(51,292)	<b>(31,993)</b>	(68,778)
Cost of provision of event production services		<b>(453)</b>	(496)	<b>(1,214)</b>	(2,967)
Distribution costs		<b>(7,259)</b>	(8,637)	<b>(13,099)</b>	(17,369)
Administrative expenses		<b>(16,286)</b>	(15,838)	<b>(44,760)</b>	(45,986)
Finance costs		<b>(255)</b>	(337)	<b>(409)</b>	(2,130)
Gain on disposal of a subsidiary	3	-	-	<b>822</b>	-
Profit (loss) before tax		<b>9,511</b>	(28,162)	<b>14,809</b>	(22,439)
Income tax expense	4	<b>(446)</b>	(1,131)	<b>(1,715)</b>	(2,364)
Profit (loss) for the period		<b>9,065</b>	(29,293)	<b>13,094</b>	(24,803)
Attributable to:					
Equity holders of the Company		<b>9,065</b>	(28,943)	<b>13,177</b>	(23,418)
Minority interests		-	(350)	<b>(83)</b>	(1,385)
		<b>9,065</b>	(29,293)	<b>13,094</b>	(24,803)
Earnings (loss) per share	5				
- basic		<b>3.49 cents</b>	(11.13) cents	<b>5.07 cents</b>	(9.01) cents
- diluted		<b>N/A</b>	N/A	<b>N/A</b>	N/A

*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 Profits Limited ("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 results 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 results 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 Nine-Month Period's presentation.

Notes: (Continued)

## 2. Revenue

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

	Three months ended 31st December, 2006 (unaudited) HK\$'000		Nine months ended 31st December, 2006 (unaudited) HK\$'000	
		2005 (unaudited) HK\$'000		2005 (unaudited) HK\$'000
Music production and distribution				
– sales of albums	<b>5,796</b>	6,236	<b>18,152</b>	22,185
– licence income	<b>2,982</b>	6,318	<b>22,173</b>	15,569
– multimedia income	<b>1,840</b>	1,812	<b>5,461</b>	5,054
	<b>10,618</b>	14,366	<b>45,786</b>	42,808
Film and television programme production, distribution and licensing				
– production of films and television programmes and licensing of the corresponding rights	<b>11,431</b>	26,743	<b>43,868</b>	43,809
– distribution of films and television programmes	<b>2,822</b>	3,532	<b>12,157</b>	8,535
	<b>14,253</b>	30,275	<b>56,025</b>	52,344
Artiste management fee income	<b>11,703</b>	8,662	<b>28,852</b>	23,204
Event production				
– income from jointly organised events	<b>748</b>	5,286	<b>281</b>	18,711
– income from provision of event production services	<b>3,565</b>	1,750	<b>5,815</b>	4,534
	<b>4,313</b>	7,036	<b>6,096</b>	23,245
	<b>40,887</b>	60,339	<b>136,759</b>	141,601



Notes: (Continued)

### 3. 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 (unaudited) HK\$'000</b>	At 31st March, 2006 (audited) 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>	<u>1,222</u>
Waiver of intercompany debts	<b>(104)</b>	
Translation reserve realised	<b>(19)</b>	
Gain on disposal of a subsidiary	<b>822</b>	
	<u><b>1,921</b></u>	
Total consideration	<u><b>1,921</b></u>	
Satisfied by:		
Cash	<u><b>1,921</b></u>	
Net cash inflow arising on disposal of a subsidiary:		
Cash consideration received	<b>1,921</b>	
Cash and cash equivalent disposed of:	<u><b>(1,076)</b></u>	
	<u><b>845</b></u>	

Notes: (Continued)

### 3. 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 (unaudited) HK\$'000</b>	Year ended 31st March, 2006 (audited) 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	<u>-</u>	<u>(1,179)</u>

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.

### 4. Income Tax Expense

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

### 5. Earnings (loss) per Share

The calculation of basic earnings (loss) per share is based on the unaudited consolidated profits attributable to equity holders of the Company of approximately HK\$9,065,000 for the Quarterly Period and HK\$13,177,000 for the Nine-Month Period (2005: losses of approximately HK\$28,943,000 and HK\$23,418,000 respectively) and the 260,000,000 ordinary shares in issue during the periods.

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

Notes: (Continued)

## 6. Capital and Reserves

An analysis of the movements of capital and reserves is shown as follow:

	Attributable to equity holders of the Company							Minority interests (unaudited) HK\$'000	Total equity (unaudited) HK\$'000
	Share capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Contributed surplus (unaudited) HK\$'000	Special reserve (unaudited) HK\$'000	Translation reserve (unaudited) HK\$'000	Accumulated losses (unaudited) HK\$'000	Total (unaudited) 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	-	-	-	-	(171)	-	(171)	50	(121)
Loss for the period	-	-	-	-	-	(23,418)	(23,418)	(1,385)	(24,803)
Total recognised expense for the period	-	-	-	-	(171)	(23,418)	(23,589)	(1,335)	(24,924)
Dividend paid	-	-	(7,280)	-	-	-	(7,280)	-	(7,280)
At 31st December, 2005	<u>2,600</u>	<u>105,614</u>	<u>83,783</u>	<u>75,000</u>	<u>(699)</u>	<u>(178,337)</u>	<u>87,961</u>	<u>(199)</u>	<u>87,762</u>
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	-	-	-	-	300	-	300	16	316
Profit (loss) for the period	-	-	-	-	-	13,177	13,177	(83)	13,094
Total recognised income (expense) for the period	-	-	-	-	300	13,177	13,477	(67)	13,410
Eliminated on disposal of a subsidiary	-	-	-	-	-	-	-	(808)	(808)
<b>At 31st December, 2006</b>	<u><b>2,600</b></u>	<u><b>105,614</b></u>	<u><b>83,783</b></u>	<u><b>75,000</b></u>	<u><b>(399)</b></u>	<u><b>(174,291)</b></u>	<u><b>92,307</b></u>	<u><b>(1,589)</b></u>	<u><b>90,718</b></u>

## DIVIDEND

The Board did not recommend the payment of dividend for the Nine-Month Period (2005: Nil).

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

As at 31st December, 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

<b>Name of director</b>	<b>Nature of interests</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage holding</b>
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	57.55%
Mr. Wong Chi Fai	Emperor International <i>(Note (3))</i>	Beneficial	10,000,000	0.71%
Ms. Fan Man Seung, Vanessa	Emperor International <i>(Note (3))</i>	Beneficial	10,000,000	0.71%

*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.

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

*Notes: (Continued)*

- (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.

Save as disclosed above, as at 31st December, 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 31st December, 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 31st December, 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%

**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>
Earntrade Investments Limited	Interest in a controlled corporation	18,198,000	6.99%
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 31st December, 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.

## REVIEW OF RESULTS

The unaudited results of the Group for the Quarterly Period and the Nine-Month 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 Nine-Month Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board

**Luk Siu Man, Semon**

*Chairperson*

Hong Kong, 12th February, 2007

*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).*