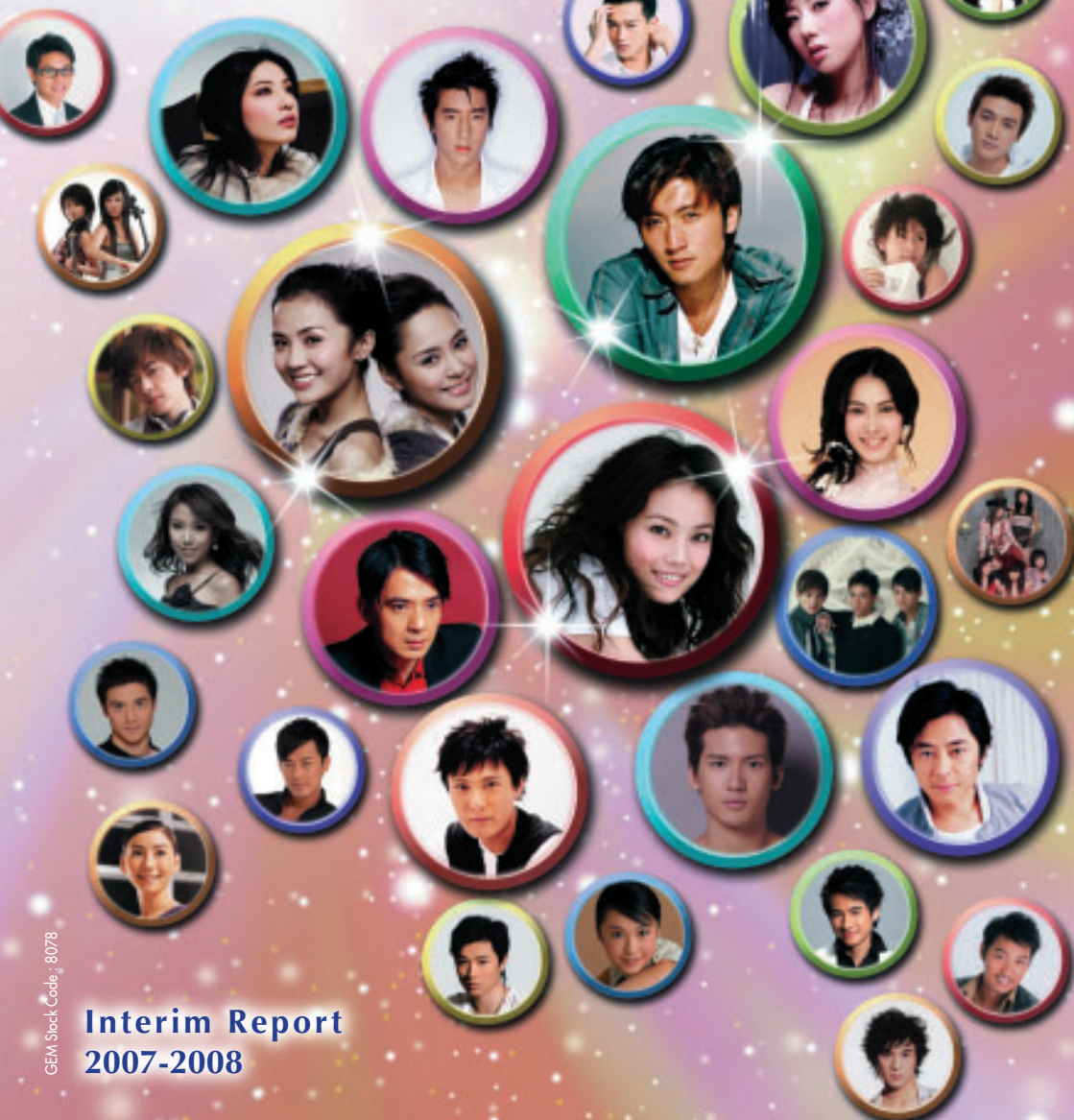


EEG

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

(Incorporated in Bermuda with limited liability)



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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, 2007, the Company and its subsidiaries (collectively referred to as the "Group") had recorded a revenue of approximately HK\$25.4 million (2006: HK\$41.3 million) and HK\$54.6 million (2006: HK\$95.9 million). It recorded a loss of approximately HK\$8.2 million (2006: HK\$4.3 million) for the Quarterly Period, and approximately HK\$9.5 million loss (2006: HK\$4.1 million profit) for the Half Yearly Period.

OPERATION REVIEW

Music Production and Distribution

Revenue from music production and distribution, comprising licence income, multimedia income and sales of albums, which accounted for 29.9% of the Group's total revenue for the Half Yearly Period, amounted to approximately HK\$16.3 million (2006: HK\$35.2 million).

The drop in revenue was mostly due to the decrease of licence income from HK\$19.2 million in 2006 to HK\$6.3 million in the Half Yearly Period, mainly from licensing music video to karaoke lounges, the contract of which was completed in March and only renewed in August 2007.

Meanwhile, rampant copyright infringement activities such as free internet download and copying through re-writable disc drives as well as keen competition continued to adversely affect the music records industry. During the Half Yearly Period, the Group released 45 music albums (2006: 38). Sales of music albums dropped to approximately HK\$7.7 million (2006: HK\$12.4 million). The Group sought to diversify its income stream by providing idols-based mobile entertainment services including connecting tone, content download and mobile games to mobile subscribers in Hong Kong. Such multimedia income contributed approximately HK\$2.3 million (2006: HK\$3.6 million) to the Group's revenue.

Film and Television Programme Production and Distribution

During the Half Yearly Period, this business sector, which accounted for 21.6% of the Group's total revenue, contributed approximately HK\$11.8 million (2006: HK\$41.8 million), mainly from the licensing of *Twins Mission* and *The Medallion* as well as distribution of *Rob-B-Hood*. It recorded a loss of HK\$1.6 million (2006: HK\$7.3 million profit).

Distribution of films and television programmes contributed approximately HK\$3.7 million (2006: HK\$9.3 million) to the Group's revenue. Film and television programme production and licensing accounted for approximately HK\$8.1 million (2006: HK\$32.4 million) of the total revenue as the Group lacked sizable productions during the Half Yearly Period.

OPERATION REVIEW *(Continued)*

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

Distribution

The Group receives contribution from distribution of films produced by Emperor Motion Pictures ("EMP") and JCE Movies. During the Half Yearly Period, the Group's distribution included *Ming Ming* starring Zhou Xun and Daniel Wu and *The Sun Also Rises* by Jiang Wen and starring Jaycee Chan. *The Sun Also Rises* made its world premiere during competition in the prestigious Venice Film Festival in September 2007. This was immediately followed by the film's North American premiere at film festivals in Toronto and Vancouver, and its commercial release throughout Asia.

During the Quarterly Period, EMP had entered into an agreement with China's Huayi Brothers International Distribution Limited pursuant to which EMP had secured the exclusive rights to market and distribute theatrically in Hong Kong and Macau *The Forbidden Kingdom*, starring Jackie Chan and Jet Li. The production is set for an April 2008 release.

Production

On the production front, the Group had completed the principal photography of *The Fantastic Water Babes*, starring Gillian Chung of Twins, Stephen Fung Tak-lun, Alex Fong, Huang Shengyi and Chinese Olympian Tian Liang; and *Home Run*, starring Chapman To and Fan Bingbing. Joining *Kung Fu Dunk* in post-production, all three films are set for commercial release in 2008.

Concurrently, EMP has also entered into agreement with the China Film Group to nurture young Chinese filmmakers by co-producing five feature film projects of smaller production budgets. The first of these projects is expected to go into production before the end of 2007.

Artiste Management

The segment continued to contribute stable income to the Group and accounted for 39.9% of total revenue during the Half Yearly Period. Revenue amounted to approximately HK\$21.8 million (2006: HK\$17.1 million), which contributed a profit of approximately HK\$9.7 million (2006: HK\$6.6 million) to the Group's result.

During the Half Yearly Period, 14 new artistes have joined the Group, including five from "EEG Singing Contest 2007" co-organised with Television Broadcasts Limited in September 2007, and the famous Korean artiste Lee Jun Ki. As at the end of the Half Yearly Period, the Group managed a total of 64 artistes (2006: 56).

OPERATION REVIEW *(Continued)*

Event Production

During the Half Yearly Period, this segment contributed approximately HK\$4.7 million (2006: HK\$1.8 million) to the Group's revenue. The Group had participated in the co-production of seven concerts, and recorded a profit of approximately HK\$0.9 million (2006: a loss of HK\$0.5 million).

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, 2007.

As at the end of the Half Yearly Period, current assets and liabilities of the Group were approximately HK\$128.4 million and HK\$153.1 million respectively. Advances from the substantial shareholder, Surplus Way Profits Limited ("Surplus Way") were approximately HK\$59.5 million, which were denominated in Hong Kong dollars, unsecured, interest bearing at the Hong Kong prime rate and had no fixed repayment term.

Other than disclosed above, the Group had no other external borrowings. The Group's borrowings and bank and cash held in hand were mainly denominated in U.S. dollars, Hong Kong dollars and Reminbi. Since the borrowings and the bank balances and cash denominated in foreign currencies (other than Hong Kong dollars) were not significant, the Group experienced no significant exposure to foreign exchange rate fluctuation during the Half Yearly Period.

The Group's gearing ratio (expressed as a percentage of total borrowings over net asset value) as at 30th September, 2007 rose from 33% in the last financial year to 70%, which was mainly due to additional advances from Surplus Way for financing the production of films 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

Total commitments of the Group as at 30th September, 2007 was approximately HK\$74.0 million (as at 31st March, 2007: HK\$45.6 million), which comprised HK\$4.9 million for operating leases, HK\$0.2 million for purchase of property, plant and equipment, HK\$12.6 million for artiste fees and HK\$56.3 million for film production costs.

NUMBER AND REMUNERATION OF EMPLOYEES

The Group's number of employees as at the end of the Half Yearly Period was 135 (as at 31st March, 2007: 123) and total staff costs for the Half Yearly Period were approximately HK\$23.6 million (2006: HK\$19.6 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 option was granted or outstanding during the Half Yearly Period.

PROSPECTS

The entertainment industry is a highly competitive and mobile industry. The management is committed to building up and maintaining a strong talent base, sound industry expertise and network to sustain its competitive edge.

To strengthen its audience reach and boost the popularity of its artistes, the Group had launched a television channel "EEG Channel" on TVB's pay-television platform. The channel broadcasts news, interviews and music videos featuring the Group's artistes. The Group will use the platform to maintain the popularity of its artistes and source new and talented artistes.

Meanwhile, the Group had planned to organise more concerts in the coming periods, including the Group's own artiste Joey Yung.

Through the establishment of "Emperor Entertainment Group (China)" (i.e. 英皇星藝(北京)文化發展有限公司), a wholly-owned subsidiary in Beijing and "SFS Emperor" (i.e. 上海上影英皇文化發展有限公司), a joint venture in Shanghai with Shanghai Film Group Corporation, one of the leading nationwide media conglomerates in China, the Group will continue to expand its presence in Mainland China, while at the same time source promising talents and lucrative projects from such a big market.

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 2006 as set out below.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30th September, 2007

	Notes	Three months ended 30th September, 2007		Six months ended 30th September, 2007	
		(unaudited) HK\$'000	2006 (unaudited) HK\$'000	(unaudited) HK\$'000	2006 (unaudited) HK\$'000
Revenue	2 & 3	25,448	41,305	54,598	95,872
Other income		768	460	3,550	2,666
Cost of music production and distribution		(13,000)	(18,576)	(21,441)	(29,817)
Cost of film and television programme production and distribution		(589)	(7,197)	(5,359)	(28,708)
Cost of provision of event production services		(1,127)	(994)	(2,136)	(1,069)
Distribution costs		(1,512)	(4,277)	(3,620)	(5,840)
Administrative expenses		(17,637)	(14,849)	(33,460)	(28,474)
Finance costs		(787)	(53)	(1,350)	(154)
Share of results of a jointly controlled entity		(50)	–	(125)	–
Gain on disposal of a subsidiary		–	–	–	822
(Loss) profit before taxation		(8,486)	(4,181)	(9,343)	5,298
Taxation credit (taxation)	4	300	(168)	(140)	(1,269)
(Loss) profit for the period	5	(8,186)	(4,349)	(9,483)	4,029
Attributable to:					
Equity holders of the Company		(8,180)	(4,310)	(9,477)	4,112
Minority interests		(6)	(39)	(6)	(83)
		(8,186)	(4,349)	(9,483)	4,029
(Loss) earnings per share	6				
– basic		(3.15) cents	(1.66) cents	(3.65) cents	1.58 cents
– diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET*As at 30th September, 2007*

		As at	
	30th September,	2007	31st March,
	(unaudited)	(audited)	2007
<i>Notes</i>	HK\$'000	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	7	2,407	2,708
Interests in a jointly controlled entity		2,063	2,084
Prepayments and other receivables		10,686	11,928
Film rights	7	95,659	55,124
		110,815	71,844
Current assets			
Inventories and record masters		3,534	2,430
Trade receivables	8	25,225	30,022
Prepayments and other receivables		64,700	31,947
Taxation recoverable		92	125
Bank balances and cash		34,831	69,951
		128,382	134,475
Current liabilities			
Trade payables	9	14,131	14,697
Other payables and accrued charges		76,597	64,283
Amount due to ultimate holding company		59,512	29,643
Loan from a minority shareholder of a subsidiary		2,000	2,000
Taxation payable		843	939
		153,083	111,562
Net current (liabilities) assets		(24,701)	22,913
		86,114	94,757
Capital and reserves			
Share capital		2,600	2,600
Reserves		85,201	93,845
Equity attributable to equity holders of the Company		87,801	96,445
Minority interests		(1,687)	(1,688)
Total equity		86,114	94,757

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)*For the six months ended 30th September, 2007*

	Attributable to equity holders of the Company							Minority interests	Total equity
	Share capital	Share premium	Contributed surplus	Special reserve	Translation reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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 foreign operations	-	-	-	-	264	-	264	11	275
Profit (loss) for the period	-	-	-	-	-	4,112	4,112	(83)	4,029
Transfer to profit or loss on disposal of a subsidiary	-	-	-	-	(19)	-	(19)	(808)	(827)
Total recognised income (expense) for the period	-	-	-	-	245	4,112	4,357	(880)	3,477
At 30th September, 2006	<u>2,600</u>	<u>105,614</u>	<u>83,783</u>	<u>75,000</u>	<u>(454)</u>	<u>(183,356)</u>	<u>83,187</u>	<u>(1,594)</u>	<u>81,593</u>
At 1st April, 2007	<u>2,600</u>	<u>105,614</u>	<u>83,783</u>	<u>75,000</u>	<u>(364)</u>	<u>(170,188)</u>	<u>96,445</u>	<u>(1,688)</u>	<u>94,757</u>
Exchange differences on translation of foreign operations	-	-	-	-	729	-	729	7	736
Share of changes in equity of a jointly controlled entity	-	-	-	-	104	-	104	-	104
Net income recognised directly in equity	-	-	-	-	833	-	833	7	840
Loss for the period	-	-	-	-	-	(9,477)	(9,477)	(6)	(9,483)
Total recognised income (expense) for the period	-	-	-	-	833	(9,477)	(8,644)	1	(8,643)
At 30th September, 2007	<u>2,600</u>	<u>105,614</u>	<u>83,783</u>	<u>75,000</u>	<u>469</u>	<u>(179,665)</u>	<u>87,801</u>	<u>(1,687)</u>	<u>86,114</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30th September, 2007*

	Six months ended 30th September, 2007 (unaudited) HK\$'000	2006 (unaudited) HK\$'000
Net cash (used in) from operating activities	(18,255)	5,406
Net cash used in investing activities	(45,801)	(17,693)
Net cash from financing activities	28,519	3,298
Net decrease in cash and cash equivalents	(35,537)	(8,989)
Cash and cash equivalents at beginning of the period	69,951	69,496
Effect of foreign exchange rate changes	417	–
Cash and cash equivalents at end of the period	<u>34,831</u>	<u>60,507</u>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	<u>34,831</u>	<u>60,507</u>

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 and its principal place of business 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 the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants 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, 2007.

Notes: (Continued)

2. Revenue

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

	Three months ended 30th September, 2007 (unaudited) HK\$'000		Six months ended 30th September, 2007 (unaudited) HK\$'000	
	2006 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2006 (unaudited) HK\$'000
Music production and distribution				
– sales of albums	4,952	6,846	7,679	12,356
– licence income	4,228	7,938	6,349	19,191
– multimedia income	1,281	1,786	2,321	3,621
	10,461	16,570	16,349	35,168
Film and television programme production, distribution and licensing				
– production of films and television programmes and licensing of the corresponding rights	694	7,083	8,136	32,437
– distribution of films and television programmes	1,994	8,160	3,667	9,335
	2,688	15,243	11,803	41,772
Artiste management fee income	8,813	8,571	21,765	17,149
Event production				
– income (loss) from jointly organised events	731	(729)	176	(467)
– income from provision of event production services	2,755	1,650	4,505	2,250
	3,486	921	4,681	1,783
	25,448	41,305	54,598	95,872

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,			
	2007		2006	
	Revenue	Contribution		
	(unaudited)	to loss for	Revenue	to profit for
	HK\$'000	the period	(unaudited)	the period
	HK\$'000	(unaudited)	HK\$'000	(unaudited)
		HK\$'000		HK\$'000
Music production and distribution	16,349	(13,988)	35,168	(7,574)
Film and television programme production, distribution and licensing	11,803	(1,579)	41,772	7,300
Artiste management	21,765	9,743	17,149	6,582
Event production	4,681	924	1,783	(496)
	<u>54,598</u>	<u>(4,900)</u>	<u>95,872</u>	<u>5,812</u>
Other income not allocated to principal activities		1,037		1,725
Unallocated corporate expenses		(4,005)		(2,907)
Finance costs		(1,350)		(154)
Share of results of a jointly controlled entity (Note)		(125)		-
Gain on disposal of a subsidiary		-		822
(Loss) profit before taxation		(9,343)		5,298
Taxation		(140)		(1,269)
(Loss) profit for the period		<u>(9,483)</u>		<u>4,029</u>

Note: The share of results of a jointly controlled entity belongs to the segment of film and television programme production, distribution and licensing.

Notes: (Continued)

4. Taxation Credit (Taxation)

The credit for the Quarterly Period represents the overprovision of taxation in the previous quarter and the charges represent Hong Kong Profits Tax calculated at 17.5% of the estimated assessable profits for these 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 these periods.

5. (Loss) Profit for the Period

	Three months ended 30th September, 2007 (unaudited) HK\$'000		Six months ended 30th September, 2007 (unaudited) HK\$'000	
	2006 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2006 (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	589	7,192	5,348	28,634
Depreciation of property, plant and equipment	458	253	877	498
Impairment loss on film rights recognised and included in cost of film and television programme production and distribution	-	-	11	-

6. (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\$8,180,000 for the Quarterly Period (2006: HK\$4,310,000) and HK\$9,477,000 for the Half Yearly Period (2006: a profit of HK\$4,112,000) 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.

Notes: (Continued)

7. 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\$571,000 (2006: HK\$860,000), disposed of property, plant and equipment with aggregate net book value of approximately HK\$6,000 (2006: HK\$634,000) and spent approximately HK\$45,894,000 (2006: HK\$18,807,000) on cost of film rights.

8. 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:

	As at	
	30th September,	31st March,
	2007	2007
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Current	8,804	15,779
Overdue		
0 - 30 days	6,765	1,049
31 - 60 days	4,267	6,851
61 - 90 days	3,069	1,527
over 90 days	2,320	4,816
	25,225	30,022

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

Notes: (Continued)

9. Trade Payables

The following is an aged analysis of trade payables:

	As at	
	30th September,	31st March,
	2007	2007
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Current	3,015	1,526
Overdue		
0 - 30 days	1,714	1,690
31 - 60 days	1,425	3,233
61 - 90 days	817	4,161
over 90 days	7,160	4,087
	14,131	14,697

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

10. Commitments

(a) Operating lease commitments

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

	As at	
	30th September,	31st March,
	2007	2007
	(unaudited)	(audited)
	HK\$'000	HK\$'000
In respect of:		
(i) Rented premises		
Within one year	1,900	3,222
In the second to fifth year inclusive	796	1,092
	2,696	4,314
(ii) Broadcasting service		
Within one year	1,020	960
In the second to third year inclusive	1,190	1,600
	2,210	2,560

Notes: (Continued)

10. Commitments (Continued)

(a) Operating lease commitments (Continued)

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

(b) Capital commitment

	As at	
	30th September,	31st March,
	2007	2007
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Amount contracted but not provided, net of deposit paid, in respect of property, plant and equipment	175	–

(c) Other commitments

	As at	
	30th September,	31st March,
	2007	2007
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Amounts contracted for but not provided in respect of:		
(i) Artiste fees	12,570	10,399
(ii) Film production costs	56,333	28,292
	68,903	38,691

Notes: (Continued)

11. Related Party Transactions

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

	Six months ended 30th September, 2007 (unaudited) HK\$'000	2006 (unaudited) HK\$'000
Distribution and promotion commission income received	1,970	9,333
Fee received for back office support services (including accounting services)	–	160
Fee received for professional services (including legal, and production assistance and consultancy services)	–	30
Advertising and promotion expenses paid	68	73
Corporate secretarial fee paid	160	160
Fees paid for back office support services (including accounting, tax and financial services, internal auditing, human resources and administrative services)	–	20
Interest paid to ultimate holding company	1,350	154
Management fees and air-conditioning charges paid	317	314
Operating lease rentals paid	1,246	1,191

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 (2006: Nil).

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

As at 30th September, 2007, 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	Lion Empire Investments Limited ("Lion Empire") <i>(Note (2a))</i>	Family	1	100%
Ms. Semon Luk	Perpetual Wealth Investments Limited ("Perpetual Wealth") <i>(Note (2a))</i>	Family	1	100%
Ms. Semon Luk	Emperor International Holdings Limited ("Emperor International") <i>(Note (2) & (2a))</i>	Family	902,557,364	50.84%
Ms. Semon Luk	Emperor Capital Group Limited ("Emperor Capital") <i>(Note (2))</i>	Family	325,322,302	54.11%
Mr. Wong Chi Fai	Emperor International <i>(Note (3))</i>	Beneficial	10,000,000	0.56%
Ms. Fan Man Seung, Vanessa	Emperor International <i>(Note (3))</i>	Beneficial	10,000,000	0.56%

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 interested in 823,123,411 shares in Emperor International and was the registered owner of 325,322,302 shares in Emperor Capital. 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, Charron, Emperor International and Emperor Capital 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, Emperor International and Emperor Capital 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, Emperor International and Emperor Capital respectively.
- (2a) Lion Empire was the registered owner of 79,433,953 shares in Emperor International. The entire issued capital of Lion Empire was held by Perpetual Wealth on trust for The A&S Unit Trust, a unit trust under the Trust. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the 79,433,953 shares. 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 79,433,953 shares of Emperor International.
- (3) Share options were granted to directors under the share option scheme of Emperor International.

Save as disclosed above, as at 30th September, 2007, 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, 2007, 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, 2007, 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 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%

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

Name	Capacity/ Nature of interests	Number of ordinary shares held	Approximate percentage holding
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%
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%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

(Continued)

Long positions in ordinary shares of HK\$0.01 each of the Company

(Continued)

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, 2007, 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.

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 (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.

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, 12th November, 2007

As at the date hereof, the Board comprises Ms. Luk Siu Man, Semon (Chairperson); 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).