

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.

MANAGEMENT DISCUSSION AND ANALYSIS

For the 12 months ended 31st March, 2008 (the "12-month Period"), the Company and its subsidiaries (collectively referred to as the "Group") reported a net loss of approximately HK\$23.6 million, (2007: profit of HK\$17.3 million) and revenue reached approximately HK\$127.7 million (2007: HK\$183.9 million).

OPERATION REVIEW

With the changing business environment in the entertainment and media industry, the Group has been promoting synergy among different operations to maximize returns and enhance stakeholders' value.

Artiste Management

Having one of the biggest pools of artistes in Hong Kong, the Group saw a stable contribution from artiste management. During the 12-month Period, the segment received turnover of approximately HK\$40.7 million (2007: HK\$37.8 million), accounting for 31.9% of the Group's total revenue.

During the 12-month Period, 17 new artistes have joined the Group, including five from "EEG Singing Contest 2007" co-organised with Television Broadcasts Limited in September 2007. As at the end of the 12-Month Period, the Group managed a total of 63 artistes.

Event Production

The Group also received satisfactory contribution from organising and co-organising concerts for its own artistes as well as outside artistes, including the concerts featuring Joey Yung in Hong Kong and Malaysia, Twins' concerts in US and Canada, and Jay Chou's concert in Hong Kong. This segment recorded income of approximately HK\$13.6 million (2007: HK\$7.3 million), which contributed 10.6% to the Group's total revenue during the 12-month Period, from co-production of 12 concerts and provision of event production services.

Music Production and Distribution

The music production and distribution segment recorded turnover of approximately HK\$41.2 million for the 12-month Period (2007: HK\$63.1 million), amounting to 32.3% of the Group's total revenue.

The drop in revenue was mainly due to rampant copyright infringement activities such as free internet download and copying through re-writable disc drives as well as keen competition. During the 12-month Period, the Group released 78 music albums (2007: 74), but sales of music albums dropped to approximately HK\$19.0 million (2007: HK\$23.5 million).

Income from provision of multimedia content to telecommunications operators amounted to approximately HK\$5.9 million (2007: HK\$7.3 million). Copyright licensing income contributed revenue of approximately HK\$16.3 million (2007: HK\$32.3 million).

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

The Group received from film and television programme production and distribution a revenue of approximately HK\$32.2 million (2007: HK\$75.7 million) during the 12-month Period, accounting for 25.2% of the Group's total revenue, mainly from licensing of *The Medallion*, *The Sun Also Rises* and *Twins Mission*. The decrease in revenue was mainly due to the Group's lack of sizable productions of its own during the 12-month Period.

During the 12-month Period, the Group released four films theatrically in Hong Kong, namely *The Drummer* starring Tony Leung Ka-fai, *The Sun Also Rises* by Jiang Wen, *Yes, I Can See Dead People*, and *Kung Fu Dunk* starring Taiwan heartthrob Jay Chou, most of which were co-produced with third parties, and distributed five films produced by third parties. On the production front, the Group had completed production of six films, three of which were co-produced with outside partners, namely *Mei Lanfang* with the China Film Group and Taiwan's CMC Magnetics Corporation, *Connected* with Warner China Film HG Corporation and BNJ Armor, and *Home Run* with International Entertainment Corporation, reflecting the Group's shifting focus on established regional alliances.

During the 12-month Period, the Group had entered into an alliance with Lark Films Distribution Limited to co-acquire distribution rights in selected English language films for the Hong Kong market. To date, eight titles have been acquired under this arrangement, including the big-screen version of *Sex and the City* and *Space Chimps*.

Outside Hong Kong, the Group continued to make steady headway with the licensing of its library titles. The Group had renewed its output agreement with News Corp's STAR TV and signed a similar deal with Celestial Pictures, to provide feature productions for their pay-television platforms.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

There is no material change in capital structure of the Group as disclosed in its annual report for the financial year of 2007.

During the 12-month Period, apart from the internal source of fund generated from its operation, the Group was mainly financed by advances from the substantial shareholder of the Company, Surplus Way Profits Limited ("Surplus Way"). As at 31st March, 2008, the balance of the advances from Surplus Way amounted to approximately HK\$154.6 million (2007: HK\$29.6 million), which were denominated in Hong Kong dollars, unsecured, interest bearing at the Hong Kong prime rate and had no fixed repayment term.

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

As at the end of the 12-month Period, the Group had current assets and current liabilities of approximately HK\$120.0 million (2007: HK\$134.5 million) and HK\$264.5 million (2007: HK\$111.6 million) respectively. The gearing ratio (expressed as a percentage of total borrowings over net asset value) of the Group increased from 33% in 2007 to 210% in 2008 which was mainly due to additional advances from Surplus Way for financing the production of films during the 12-month Period.

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 US dollars, Hong Kong dollars and Reminbi. The Group managed its foreign exchange risk by closely monitoring the movement of the foreign currency rates. The management conducted periodical review of foreign currency exposure and would take appropriate measures to mitigate the risk should the need arise. As a result, the Group experienced no significant exposure to foreign exchange rate fluctuation during the 12-month 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 31st March, 2008 was approximately HK\$84.9 million (2007: HK\$45.6 million), which mainly comprised HK\$10.2 million for operating leases in respect of rented premises and broadcasting services, HK\$8.0 million for artiste fees and HK\$66.7 million for film production costs.

NUMBER AND REMUNERATION OF EMPLOYEES

The Group's number of employees as at 31st March, 2008 was 135 (2007: 123) and total staff costs for the 12-month Period were approximately HK\$48.1 million (2007: HK\$43.0 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 12-month Period.

PROSPECTS

To stay competitive in the highly mobile industry, the Group is committed to building up and maintaining a strong talent base, leveraging on its sound industry expertise and network, while strengthening the audience reach of its artistes. The Group is also taking steps to diversify its income stream and maximize returns from its huge repertoire.

The Group had planned to organise more concerts in the coming periods. After the reporting period, the Group had held a four-show concert for its own artiste, Joey Yung. The management expects the concert to bring in positive contribution to the Group.

PROSPECTS *(Continued)*

Emperor Motion Pictures (“EMP”), the film production and distribution arm of the Group, has planned not only to release its own productions and co-productions, but also other productions of third parties.

EMP will also strengthen its ties with various regional pay-TV broadcasters such as STAR TV and Celestial Pictures, and will actively look for opportunity for co-productions with leading media groups, in line with its increasing focus on regional alliances.

The Group had established its foothold in Mainland China, where the Group will continue to expand its presence, while at the same time source promising talents and projects from the market.

The Board announces the unaudited consolidated financial statements of the Group for the three months ended 31st March, 2008 (the "Quarterly Period") and the 12-month Period together with the comparative figures for the last corresponding periods as set out below. This second interim report is prepared due to the change in the Company's financial year end date from 31st March to 30th June in alignment with the business cycle in determination and calculation of royalty payment to publishing houses/writers/composers which in turn, enhance the precision in calculation of music production and distribution cost with reference to the relevant revenue and as a result, the Group's performance can be better assessed by shareholders and investors.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and 12 months ended 31st March, 2008

	Notes	Three months ended 31st March,		12 months ended 31st March,	
		2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000	2008 (unaudited) HK\$'000	2007 (audited) HK\$'000
Revenue	2&3	43,235	47,156	127,680	183,915
Other income		1,626	1,485	8,654	5,929
Cost of music production and distribution		(10,116)	(10,305)	(40,239)	(46,046)
Cost of film and television programme production and distribution		(10,702)	(15,561)	(31,973)	(47,554)
Cost of provision of event production services		-	21	(2,136)	(1,193)
Distribution costs		(3,600)	(448)	(12,652)	(13,547)
Administrative expenses		(17,905)	(16,371)	(67,024)	(61,131)
Finance costs		(1,914)	(341)	(4,725)	(750)
Share of results of a jointly controlled entity		(11)	(377)	(24)	(377)
Gain on disposal of a subsidiary		-	-	-	822
Profit (loss) before taxation		613	5,259	(22,439)	20,068
Taxation	4	(988)	(1,261)	(1,151)	(2,976)
(Loss) profit for the period	5	(375)	3,998	(23,590)	17,092
Attributable to:					
Equity shareholders of the Company		(375)	4,103	(23,584)	17,280
Minority interests		-	(105)	(6)	(188)
		(375)	3,998	(23,590)	17,092
		HK cents	HK cents	HK cents	HK cents
(Loss) earnings per share - basic	6	(0.14)	1.58	(9.07)	6.65

CONDENSED CONSOLIDATED BALANCE SHEET*As at 31st March, 2008*

		As at 31st March,	
		2008	2007
	<i>Notes</i>	(unaudited)	(audited)
		HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	7	2,366	2,708
Interests in a jointly controlled entity		4,193	2,084
Prepayments and other receivables		8,124	11,928
Film rights	7	202,596	55,124
		217,279	71,844
Current assets			
Inventories and record masters		1,533	2,430
Trade receivables	8	32,719	30,022
Prepayments and other receivables		46,976	31,947
Taxation recoverable		–	125
Bank balances and cash		38,794	69,951
		120,022	134,475
Current liabilities			
Trade payables	9	22,470	14,697
Other payables and accrued charges		84,487	64,283
Amount due to ultimate holding company		154,620	29,643
Loan from a minority shareholder of a subsidiary		2,000	2,000
Taxation payable		954	939
		264,531	111,562
Net current (liabilities) assets		(144,509)	22,913
		72,770	94,757
Capital and reserves			
Share capital		2,600	2,600
Reserves		71,835	93,845
Equity attributable to equity holders of the Company		74,435	96,445
Minority interests		(1,665)	(1,688)
Total equity		72,770	94,757

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the 12 months ended 31st March, 2008

	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	-	-	-	-	393	-	393	22	415
Share of changes in equity of a jointly controlled entity	-	-	-	-	(39)	-	(39)	-	(39)
Net income recognised directly in equity	-	-	-	-	354	-	354	22	376
Profit (loss) for the period	-	-	-	-	-	17,280	17,280	(188)	17,092
Transfer to profit or loss on disposal of a subsidiary	-	-	-	-	(19)	-	(19)	(808)	(827)
Total recognised income (expense) for the period	-	-	-	-	335	17,280	17,615	(974)	16,641
At 31st March, 2007 and 1st April, 2007	2,600	105,614	83,783	75,000	(364)	(170,188)	96,445	(1,688)	94,757
Exchange differences on translation of foreign operations	-	-	-	-	1,470	-	1,470	29	1,499
Share of changes in equity of a jointly controlled entity	-	-	-	-	104	-	104	-	104
Net income recognised directly in equity	-	-	-	-	1,574	-	1,574	29	1,603
Loss for the period	-	-	-	-	-	(23,584)	(23,584)	(6)	(23,590)
Total recognised income (expense) for the period	-	-	-	-	1,574	(23,584)	(22,010)	23	(21,987)
At 31st March, 2008	2,600	105,614	83,783	75,000	1,210	(193,772)	74,435	(1,665)	72,770

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the 12 months ended 31st March, 2008

	12 months ended 31st March, 2008 (unaudited) HK\$'000	2007 (audited) HK\$'000
Net cash from operating activities	29,940	36,286
Net cash used in investing activities	(182,127)	(48,674)
Net cash from financing activities	120,252	12,843
Net (decrease) increase in cash and cash equivalents	(31,935)	455
Cash and cash equivalents at beginning of the period	69,951	69,496
Effect of foreign exchange rate changes	778	–
Cash and cash equivalents at end of the period	<u>38,794</u>	<u>69,951</u>
Analysis of the balances of cash and cash equivalents: Bank balances and cash	<u>38,794</u>	<u>69,951</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. 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 provision of management services to artistes, concert management and organisation, provision of event production services, trading and production of audio-visual products, licensing of musical works, and film and television programme production, distribution and licensing.

The unaudited consolidated financial statements of the Group have been prepared in accordance with 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 unaudited consolidated financial statements have been prepared on the historical costs convention, except for certain financial instruments which are measured at fair value on initial recognition.

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

	Three months ended 31st March, 2008 (unaudited) HK\$'000		12 months ended 31st March, 2008 (unaudited) HK\$'000	
	2007 (unaudited) HK\$'000	2007 (audited) HK\$'000	2007 (unaudited) HK\$'000	2007 (audited) HK\$'000
An analysis of the Group's revenue is as follow:				
Artiste management fee income	10,352	8,935	40,640	37,787
Event production				
– income (loss) from jointly organised events	8,918	(74)	9,090	207
– income from provision of event production service	–	1,315	4,505	7,130
	8,918	1,241	13,595	7,337
Music production and distribution				
– sales of albums	5,846	5,366	19,025	23,518
– licence income	4,867	10,098	16,310	32,271
– multimedia income	1,346	1,885	5,885	7,346
	12,059	17,349	41,220	63,135
Film and television programme production, distribution and licensing				
– production of films and television programmes and licensing of the corresponding rights	11,182	14,469	26,927	58,337
– distribution of films and television programmes	724	5,162	5,298	17,319
	11,906	19,631	32,225	75,656
	43,235	47,156	127,680	183,915

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:

	12 months ended 31st March,		2007	
	2008	2007	Revenue	Contribution
	Revenue	Contribution	Revenue	to profit for
	(unaudited)	to loss for	(audited)	the period
	(HK\$'000)	(unaudited)	(HK\$'000)	(audited)
		(HK\$'000)		(HK\$'000)
Artiste management	40,640	19,957	37,787	18,164
Event production	13,595	7,406	7,337	2,972
Music production and distribution	41,220	(19,385)	63,135	(6,067)
Film and television programme production, distribution and licensing	32,225	(20,766)	75,656	8,671
	<u>127,680</u>	<u>(12,788)</u>	<u>183,915</u>	<u>23,740</u>
Other income not allocated to principal activities		1,783		2,063
Unallocated corporate expenses		(6,685)		(5,430)
Finance costs		(4,725)		(750)
Share of results of a jointly controlled entity (note)		(24)		(377)
Gain on disposal of a subsidiary		-		822
(Loss) profit before taxation		(22,439)		20,068
Taxation		(1,151)		(2,976)
(Loss) profit for the period		<u>(23,590)</u>		<u>17,092</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

The charges represent Hong Kong Profits Tax calculated at 17.5% of the 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 these periods.

5. (Loss) Profit for the Period

	Three months ended 31st March, 2008 (unaudited) HK\$'000		12 months ended 31st March, 2008 (unaudited) HK\$'000	
	2007 (unaudited) HK\$'000	2007 (audited) HK\$'000	2007 (unaudited) HK\$'000	2007 (audited) 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	5,758	11,194	18,317	43,112
Depreciation of property, plant and equipment	599	872	1,906	1,714
Impairment loss on film rights recognised and included in cost of film and television programme production and distribution	4,944	2,969	13,656	2,969
Loss on disposal of property, plant and equipment	-	123	-	191
and after crediting:				
Gain on disposal of property, plant and equipment	<u>60</u>	<u>-</u>	<u>51</u>	<u>-</u>

Notes: (Continued)

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\$375,000 for the Quarterly Period (2007: profit of HK\$4,103,000) and HK\$23,584,000 for the 12-month Period (2007: profit of HK\$17,280,000) 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 in these periods.

7. Movements in Property, Plant and Equipment and Film Rights

During the 12-month Period, the Group acquired property, plant and equipment at a cost of approximately HK\$1,535,000 (2007: HK\$2,510,000), disposed of property, plant and equipment with aggregate net book value of approximately HK\$28,000 (2007: HK\$208,000) and spent approximately HK\$179,445,000 (2007: HK\$45,870,000) 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 31st March,	
	2008	2007
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Current	7,826	15,779
Overdue		
0 - 30 days	10,304	1,049
31 - 60 days	6,134	6,851
61 - 90 days	1,815	1,527
over 90 days	6,640	4,816
	<hr/> 32,719 <hr/>	<hr/> 30,022 <hr/>

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 31st March, 2008 (unaudited) HK\$'000	2007 (audited) HK\$'000
Current	2,920	1,526
Overdue		
0 - 30 days	6,951	1,690
31 - 60 days	4,775	3,233
61 - 90 days	1,353	4,161
over 90 days	6,471	4,087
	<u>22,470</u>	<u>14,697</u>

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 31st March, 2008 (unaudited) HK\$'000	2007 (audited) HK\$'000
In respect of:		
(i) Rented premises		
Within one year	5,388	3,222
In the second to fifth year inclusive	3,895	1,092
	<u>9,283</u>	<u>4,314</u>
(ii) Broadcasting service		
Within one year	540	960
In the second to third year inclusive	360	1,600
	<u>900</u>	<u>2,560</u>

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

Notes: (Continued)

10. Commitments (Continued)

(b) Capital commitment

	As at 31st March, 2008 (unaudited) HK\$'000	2007 (audited) HK\$'000
Amount contracted but not provided, net of deposit paid, in respect of property, plant and equipment	41	–

(c) Other commitments

	As at 31st March, 2008 (unaudited) HK\$'000	2007 (audited) HK\$'000
Amounts contracted for but not provided in respect of:		
(i) Artiste fees	8,034	10,399
(ii) Film production costs	66,665	28,292
	74,699	38,691

Notes: (Continued)

11. Related Party Transactions

During the 12-month Period, the Group had transactions with related parties as follows:

	12 months ended	
	31st March,	
	2008	2007
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Distribution and promotion income received	3,065	17,345
Fee received for back office support services (including accounting services)	90	260
Fee received for professional services (including production assistance and consultancy services)	–	30
Sales of goods	4	291
Sponsorship fee received	400	412
Advertising and promotion expenses paid	238	206
Car park rentals paid	188	188
Corporate secretarial fee paid	213	320
Fee paid for professional services	142	–
Interest paid to ultimate holding company	4,725	750
Management fee and air-conditioning charges paid	651	630
Operating lease rentals paid	2,618	2,403
Sharing of administrative expenses	3,536	3,839

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 dividend for the 12-month Period (2007: Nil).

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

As at 31st March, 2008, 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	204,484,000	78.65%

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 "AY Trust"), a discretionary trust set up by Dr. Yeung Sau Shing, Albert ("Dr. Albert Yeung"). Dr. Albert Yeung, as founder of the AY Trust, was deemed to be interested in the 204,484,000 shares held by Surplus Way. By virtue of the aforesaid interests of Dr. Albert Yeung, Ms. Semon Luk (spouse of Dr. Albert Yeung and director of the Company) was also deemed to be interested in the above 204,484,000 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)</i>	Family	1	100%
Ms. Semon Luk	Jumbo Wealth <i>(Note)</i>	Family	1	100%

Note: Surplus Way was the registered owner of the 204,484,000 shares, representing 78.65% 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 AY Trust, a discretionary trust set up by Dr. Albert Yeung. Dr. Albert Yeung, as founder of the AY Trust, was deemed to be interested in the share capital of Surplus Way and Jumbo Wealth. By virtue of the aforesaid interests of Dr. Albert Yeung, Ms. Semon Luk (spouse of Dr. Albert Yeung and director of the Company) was also deemed to be interested in the share capital of Surplus Way and Jumbo Wealth.

Save as disclosed above, as at 31st March, 2008, 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 March, 2008, 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 March, 2008, 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	204,484,000	78.65%
Jumbo Wealth <i>(Note)</i>	Trustee	204,484,000	78.65%
GZ Trust Corporation ("GZ Trust") <i>(Note)</i>	Trustee	204,484,000	78.65%
Dr. Albert Yeung <i>(Note)</i>	Founder of the AY Trust	204,484,000	78.65%
South China Finance and Management Limited	Beneficial	15,556,000	5.98%
South China Financial Holdings Limited (formerly known as South China Brokerage Company Limited)	Interest in a controlled corporation	15,556,000	5.98%
East Hill Development Limited	Interest in a controlled corporation	15,556,000	5.98%
Tek Lee Finance and Investment Corporation Limited	Interest in a controlled corporation	15,556,000	5.98%
South China (BVI) Limited	Interest in a controlled corporation	15,556,000	5.98%
South China Holdings Limited	Interest in a controlled corporation	15,556,000	5.98%

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
Bannock Investment Limited	Interest in a controlled corporation	15,556,000	5.98%
Earntrade Investments Limited	Interest in a controlled corporation	15,556,000	5.98%
Parkfield Holdings Limited	Interest in a controlled corporation	15,556,000	5.98%
Ronastar Investments Limited	Interest in a controlled corporation	15,556,000	5.98%
Fung Shing Group Limited	Interest in a controlled corporation	15,556,000	5.98%
Ms. Cheung Choi Ngor	Persons acting in concert	15,556,000	5.98%
Mr. Richard Howard Gorges	Persons acting in concert	15,556,000	5.98%
Mr. Ng Hung Sang	Persons acting in concert	15,556,000	5.98%

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 AY Trust, a discretionary trust set up by Dr. Albert Yeung. Dr. Albert Yeung, as founder of the AY Trust, was deemed to be interested in the 204,484,000 shares held by Surplus Way and held the entire issued share capital of Jumbo Wealth on trust for GZ Trust as trustee of the AY 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 March, 2008, 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 AY Trust, a discretionary trust set up by Dr. 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 AY 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 AY Trust’s interest in the aforesaid businesses, Ms. Semon Luk, spouse of Dr. 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 12-month 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 12-month 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 12-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 12-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, 13th May, 2008

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).