

# 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



Interim Report  
2008-2009

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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 six months ended 31st December, 2008 (the “Half Yearly Period”), the Company and its subsidiaries (collectively referred to as the “Group”) reported revenue of approximately HK\$79.2 million (2007: HK\$55.3 million). It had a net loss of approximately HK\$42.5 million (2007: HK\$21.9 million), mainly due to impairment loss of HK\$42.0 million on certain film rights of the Group as a result of a revised expected contribution from those film productions by the Group’s management in view of the slowdown of the global economy.

### **OPERATION REVIEW**

#### **Artiste Management**

During the Half Yearly Period, the segment received turnover of approximately HK\$32.8 million (2007: HK\$17.3 million), accounting for 41.4% of the Group’s total revenue. Although the segment provided revenue contribution to the Group, the revenue fluctuated from period to period. In view of the economic downturn, the management took a cautious view towards the outlook of the segment in the coming periods.

During the Half Yearly Period, seven new artistes have joined the Group, bringing the total number of artistes to 56 as at 31st December, 2008.

#### **Event Production**

The Group also engages in organising concerts and stage performances. This segment recorded income of approximately HK\$9.5 million (2007: HK\$3.5 million), which contributed 12.0% to the Group’s total revenue during the Half Yearly Period.

During the Half Yearly Period, the Group had held two plays, namely *Art* by Yasmina Reza and *BEYOND*, which were well received by audience. The Group had also jointly organised four concerts and co-organised the annual EEG Singing Contest with Television Broadcasts Limited in September 2008. The singing contest serves as one of the means of the Group to source talented artistes.

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

The music production and distribution segment recorded turnover of approximately HK\$18.0 million for the Half Yearly Period (2007: HK\$23.3 million), amounting to 22.7% of the Group’s total revenue. The segment was adversely affected by the economic downturn as well as by keen competition and copyright infringement activities in the industry.

During the Half Yearly Period, the Group released 26 music albums (2007: 44). Sales of music albums amounted to approximately HK\$7.3 million (2007: HK\$10.5 million). Copyright licensing income contributed revenue of approximately HK\$8.6 million (2007: HK\$9.3 million). Income from provision of multimedia content to telecommunications operators amounted to approximately HK\$2.1 million (2007: HK\$3.5 million).

## **OPERATION REVIEW** (Continued)

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

Emperor Motion Picture (“EMP”) – the Group’s film production and distribution arm – received from film and television programme production and distribution revenue of approximately HK\$18.9 million during the Half Yearly Period (2007: HK\$11.2 million), accounting for 23.9% of the Group’s total revenue. The revenue was mainly derived from release of *Connected* and *The Beast Stalker*, licensing of *Yes, I Can See Dead People*, *The Deserted Inn*, *The Drummer* and *Sex and the City*, as well as distribution of *Rob-B-Hood* and *The Myth*.

The Group had adjusted its expected distribution income from certain films, which resulted in substantial impairment loss on the film rights, in light of deterioration of economic condition globally.

During the Half Yearly Period, EMP had co-distributed in Hong Kong two imported films, namely *Space Chimps* and *The Edge of Love*, under its strategic alliance with Lark Films Distribution Limited. It had also released the film *Connected*, which was co-produced with third parties and had participated in the investment of *Forever Enthralled*, directed by one of China’s best known’s filmmakers Chen Kaige. The film had been released in Hong Kong, the People’s Republic of China (“PRC”) and Taiwan.

At the end of the Half Yearly Period, the Group had completed the production of three films and a television programme under its own production; as well as two films and a television programme in co-production with third parties. They are all scheduled to be released in 2009 and 2010.

## **PROSPECTS**

The global economic downturn had worsened in the second half of the year 2008 and consumers in Hong Kong and overseas had cut their spendings. The market remains gloomy and uncertain and companies had postponed or downsized their advertising budgets, which affected the overall media and entertainment industry.

To stay competitive in the highly mobile industry, the Group is committed to leveraging on its strong talent base and industry expertise and network, while strengthening the audience reach of its artistes.

Although the performance of album sales and film production had not been satisfactory, the two segments serve as important promotion tools to boost the popularity of the Group’s artistes and can enhance the Group’s returns in concert production and artiste management.

**PROSPECTS** *(Continued)*

On the production front, EMP is actively working on the development of new feature projects with filmmakers such as Jackie Chan, Stanley Tong, Jiang Wen, Derek Yee, Dante Lam, Benny Chan and the Pang Brothers. However, EMP will continue to be prudent and cautious in its business approach in view of the current global economic downturn.

On the distribution front, EMP's line-ups for the remaining year include *The Fantastic Water Babes*, *Happily Ever After*, *Shinjuku Incident*, *Winged Creature* and other productions.

EMP was formally granted permission by the PRC government to set up in Beijing a wholly-owned film distribution company, EMP Distribution (Beijing) Limited. This will serve as a platform for the Group's future expansion into a rapidly maturing China market. The total theatrical box-office in the PRC reached an all-time high of RMB4.35 billion in 2008, a growth of more than 30% from the previous year.

Meanwhile, EMP will continue to explore possibility of investing in international productions, while at the same time source promising talents and projects from the market.

**CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES**

There is no material change in capital structure of the Group as disclosed in its annual report of the financial year 2007/2008.

In addition to its share capital and reserves, the Group made use of cashflow generated from operations and advances from Surplus Way Profits Limited ("Surplus Way"), the immediate holding company of the Company, to finance its operation. As at 31st December, 2008, the balance of the advances from Surplus Way was amounted to approximately HK\$171.6 million (30th June, 2008: HK\$187.8 million), which were denominated in Hong Kong dollars, unsecured, interest bearing at the Hong Kong prime rate. The Group has obtained the financial support from Surplus Way which will not demand for the repayment of the advances until the Group has the ability to do so. The gearing ratio (expressed as a percentage of total borrowings over total assets) of the Group was 63% (30th June, 2008: 60%). The Group has a high gearing ratio mainly due to additional advances from Surplus Way for financing the production of films which were still at an investment stage.

Other than disclosed above, the Group had no other external borrowings. The Group's bank and cash held in hand were mainly denominated in U.S. 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. The Group experienced no significant exposure to foreign exchange rate fluctuation during the Half Yearly Period.

## **CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES**

*(Continued)*

Together with the cash flow generated by the operation of the Group in its ordinary course of business and the financial support from Surplus Way, 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 December, 2008 was approximately HK\$75.0 million (30th June, 2008: HK\$80.3 million), which comprised HK\$6.5 million for operating leases in respect of rented premises and broadcasting services, HK\$5.0 million for artiste fees and HK\$63.5 million for film production costs.

## **CONTINGENT LIABILITIES**

During the Half Yearly Period, the Group was involved in legal proceedings in relation to alleged breach of engagement contracts involving the Group's artistes. The outcome of these legal proceedings are uncertain because they are still in the early stage and are difficult for the directors of the Company to assess the impact of the litigations on the financial position of the Group.

## **NUMBER AND REMUNERATION OF EMPLOYEES**

The Group's number of employees as at 31st December, 2008 was 137 (30th June, 2008: 141) and total staff costs for the Half Yearly Period were approximately HK\$23.2 million (2007: HK\$23.6 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.

The Board announces the unaudited consolidated financial statements of the Group for the three months ended 31st December, 2008 (the "Quarterly Period") and the Half Yearly Period together with the comparative figures for the corresponding periods in 2007 as set out below.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 31st December, 2008

	Notes	Three months ended 31st December,		Six months ended 31st December,	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) (Restated) HK\$'000
Revenue	2 & 3	<b>56,070</b>	29,847	<b>79,182</b>	55,295
Other income		<b>3,319</b>	3,478	<b>4,933</b>	4,246
Cost of a self-organised event		<b>(100)</b>	–	<b>(4,436)</b>	–
Cost of provision of event production services		<b>(1,531)</b>	–	<b>(2,326)</b>	(1,127)
Cost of music production and distribution		<b>(4,898)</b>	(8,682)	<b>(10,586)</b>	(21,682)
Cost of film and television programme production and distribution		<b>(11,002)</b>	(15,912)	<b>(55,932)</b>	(16,501)
Selling and distribution costs		<b>(84)</b>	(5,432)	<b>(13,645)</b>	(6,944)
Administrative expenses		<b>(15,413)</b>	(15,659)	<b>(35,043)</b>	(33,296)
Finance cost		<b>(2,252)</b>	(1,461)	<b>(5,029)</b>	(2,248)
Share of results of a jointly controlled entity		<b>613</b>	112	<b>455</b>	62
Profit (loss) before taxation		<b>24,722</b>	(13,709)	<b>(42,427)</b>	(22,195)
Taxation	4	<b>1</b>	(23)	<b>(38)</b>	277
Profit (loss) for the period	5	<b>24,723</b>	(13,732)	<b>(42,465)</b>	(21,918)
Attributable to:					
Equity holders of the Company		<b>24,723</b>	(13,732)	<b>(42,465)</b>	(21,912)
Minority interests		–	–	–	(6)
		<b>24,723</b>	(13,732)	<b>(42,465)</b>	(21,918)
Earnings (loss) per share	6				
– basic		<b>9.51 cents</b>	(5.28) cents	<b>(16.33) cents</b>	(8.43) cents
– diluted		<b>N/A</b>	N/A	<b>N/A</b>	N/A

**CONDENSED CONSOLIDATED BALANCE SHEET**

As at 31st December, 2008

		<b>As at</b>	
	<b>31st December,</b>	30th June,	
	<b>2008</b>	2008	
	<b>(Unaudited)</b>	(Audited)	
Notes	<b>HK\$'000</b>	HK\$'000	
<b>Non-current assets</b>			
Property, plant and equipment	7	<b>1,633</b>	2,180
Interests in jointly controlled entities		<b>4,927</b>	4,246
Prepayments and other receivables		<b>9,416</b>	9,955
Film rights	7	<b>158,483</b>	189,509
		<b>174,459</b>	205,890
<b>Current assets</b>			
Inventories and record masters		<b>2,408</b>	1,857
Trade receivables	8	<b>15,876</b>	31,621
Prepayments and other receivables		<b>44,668</b>	40,208
Loan to a jointly controlled entity		<b>4,538</b>	3,044
Taxation recoverable		<b>181</b>	142
Bank balances and cash		<b>32,950</b>	32,545
		<b>100,621</b>	109,417
<b>Current liabilities</b>			
Trade payables	9	<b>27,121</b>	20,496
Other payables and accrued charges		<b>97,348</b>	87,045
Amount due to ultimate holding company		<b>-</b>	119,495
Loan from a minority shareholder of a subsidiary		<b>2,000</b>	2,000
Taxation payable		<b>53</b>	161
		<b>126,522</b>	229,197
Net current liabilities		<b>(25,901)</b>	(119,780)
Total assets less current liabilities		<b>148,558</b>	86,110
<b>Non-current liabilities</b>			
Amount due to immediate holding company		<b>171,628</b>	-
Amount due to ultimate holding company		<b>-</b>	68,322
		<b>171,628</b>	68,322
Net (liabilities) assets		<b>(23,070)</b>	17,788
<b>Capital and reserves</b>			
Share capital		<b>2,600</b>	2,600
Reserves		<b>(23,729)</b>	17,129
Equity attributable to equity holders of the Company		<b>(21,129)</b>	19,729
Minority interests		<b>(1,941)</b>	(1,941)
Total equity		<b>(23,070)</b>	17,788



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)***For the six months ended 31st December, 2008*

	Attributable to equity holders of the Company							Minority interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
Restated									
At 1st July, 2007	2,600	105,614	83,783	75,000	220	(171,485)	95,732	(1,682)	94,050
Exchange differences on translation of foreign operations	-	-	-	-	680	-	680	10	690
Share of changes in equity of a jointly controlled entity	-	-	-	-	25	-	25	-	25
Net income recognised directly in equity	-	-	-	-	705	-	705	10	715
Loss for the period	-	-	-	-	-	(21,912)	(21,912)	(6)	(21,918)
Total recognised income (expense) for the period	-	-	-	-	705	(21,912)	(21,207)	4	(21,203)
At 31st December, 2007	<u>2,600</u>	<u>105,614</u>	<u>83,783</u>	<u>75,000</u>	<u>925</u>	<u>(193,397)</u>	<u>74,525</u>	<u>(1,678)</u>	<u>72,847</u>
At 1st July, 2008	2,600	105,614	83,783	75,000	1,389	(248,657)	19,729	(1,941)	17,788
Exchange differences on translation of foreign operations	-	-	-	-	1,381	-	1,381	-	1,381
Share of changes in equity of a jointly controlled entity	-	-	-	-	226	-	226	-	226
Net income recognised directly in equity	-	-	-	-	1,607	-	1,607	-	1,607
Loss for the period	-	-	-	-	-	(42,465)	(42,465)	-	(42,465)
Total recognised income (expense) for the period	-	-	-	-	1,607	(42,465)	(40,858)	-	(40,858)
<b>At 31st December, 2008</b>	<b><u>2,600</u></b>	<b><u>105,614</u></b>	<b><u>83,783</u></b>	<b><u>75,000</u></b>	<b><u>2,996</u></b>	<b><u>(291,122)</u></b>	<b><u>(21,129)</u></b>	<b><u>(1,941)</u></b>	<b><u>(23,070)</u></b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 31st December, 2008*

	<b>Six months ended</b>	
	<b>31st December,</b>	
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
	<b>HK\$'000</b>	HK\$'000
Net cash from operating activities	<b>46,171</b>	6,771
Net cash used in investing activities	<b>(24,774)</b>	(100,350)
Net cash (used in) from financing activities	<b>(21,218)</b>	86,279
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	<b>179</b>	(7,300)
Cash and cash equivalents at beginning of the period	<b>32,545</b>	42,599
Effect of foreign exchange rate changes	<b>226</b>	94
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<b>32,950</b>	35,393
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	<b>32,950</b>	35,393
	<hr/> <hr/>	<hr/> <hr/>

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. After the corporate restructuring, Million Way Holdings Limited ("Million Way") became the Company's ultimate holding company whilst Surplus Way which was previously the ultimate holding company became the immediate holding company of the Company. Million Way and Surplus Way were 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.

In preparing the unaudited consolidated financial statements, the directors of the Company have given consideration to the future liquidity of the Group in light of its net current liabilities of approximately HK\$25,901,000 as at 31st December, 2008. The Group has obtained the financial support from Surplus Way which will not demand for the repayment of the amount due to it until the Group has the ability to repay the amount. Accordingly, the unaudited consolidated financial statements have been prepared on a going concern basis.

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 fifteen-month period ended 30th June, 2008.

Due to change in the financial year end date of the Group from 31st March to 30th June in preceding financial year, the corresponding comparative amounts shown for the unaudited consolidated income statement, unaudited consolidated statement of changes in equity, unaudited consolidated cash flow statement and related notes have been restated in order to be consistent with current period's presentation.

Notes: (Continued)

## 2. Revenue

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

	Three months ended 31st December, 2008 (Unaudited) HK\$'000		Six months ended 31st December, 2008 (Unaudited) (Restated) HK\$'000	
	2007 (Unaudited) HK\$'000		2007 (Unaudited) (Restated) HK\$'000	
Artiste management fee income	<b>28,888</b>	8,523	<b>32,788</b>	17,336
Event production				
– gross revenue of a self-organised event	-	-	<b>5,617</b>	-
– (loss) income from jointly organised events	<b>(152)</b>	(4)	<b>(122)</b>	727
– income from provision of event production services	<b>2,706</b>	-	<b>3,996</b>	2,755
	<b>2,554</b>	(4)	<b>9,491</b>	3,482
Music production and distribution				
– sales of albums	<b>2,978</b>	5,500	<b>7,262</b>	10,452
– licence income	<b>3,768</b>	5,094	<b>8,641</b>	9,322
– multimedia income	<b>1,234</b>	2,218	<b>2,076</b>	3,499
	<b>7,980</b>	12,812	<b>17,979</b>	23,273
Film and television programme production, distribution and licensing				
– production of films and television programmes and licensing of the corresponding rights	<b>16,495</b>	7,609	<b>18,271</b>	8,303
– distribution of films and television programmes	<b>153</b>	907	<b>653</b>	2,901
	<b>16,648</b>	8,516	<b>18,924</b>	11,204
	<b>56,070</b>	29,847	<b>79,182</b>	55,295

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 31st December,		2007	
	2008	2007	2007	2007
	Revenue	Contribution	Revenue	Contribution
	(Unaudited)	to loss for	(Unaudited)	to loss for
	(Unaudited)	the period	(Restated)	the period
	HK\$'000	(Unaudited)	(Restated)	(Unaudited)
		HK\$'000	HK\$'000	HK\$'000
Artiste management	<b>32,788</b>	<b>11,079</b>	17,336	7,282
Event production	<b>9,491</b>	<b>(743)</b>	3,482	1,092
Music production and distribution	<b>17,979</b>	<b>(92)</b>	23,273	(8,743)
Film and television programme production, distribution and licensing	<b>18,924</b>	<b>(45,937)</b>	11,204	(16,270)
	<b>79,182</b>	<b>(35,693)</b>	55,295	(16,639)
Other income not allocated to principal activities		<b>759</b>		810
Unallocated corporate expenses		<b>(2,919)</b>		(4,180)
Finance cost		<b>(5,029)</b>		(2,248)
Share of results of a jointly controlled entity (Note)		<b>455</b>		62
Loss before taxation		<b>(42,427)</b>		(22,195)
Taxation		<b>(38)</b>		277
Loss for the period		<b>(42,465)</b>		(21,918)

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 credit for the Quarterly Period represents the overprovision of taxation in the prior period while the charge for the Half Yearly Period represents Hong Kong Profit Tax calculated at 16.5% of the estimated assessable profit for the period.

The charge for the three months ended 31st December, 2007 represented Hong Kong Profit Tax calculated at 17.5% of the estimated assessable profits for that period while the credit for the six months ended 31st December, 2007 represented the overprovision of taxation in the previous period.

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. Profit (Loss) for the Period

	Three months ended 31st December, 2008 (Unaudited) HK\$'000		Six months ended 31st December, 2008 (Unaudited) HK\$'000	
	2007 (Unaudited) (Restated) HK\$'000	2007 (Unaudited) (Restated) HK\$'000	2007 (Unaudited) (Restated) HK\$'000	2007 (Unaudited) (Restated) HK\$'000
Profit (loss) for the period has been arrived at after charging:				
Allowance for bad and doubtful debts	-	-	<b>2,026</b>	-
Amortisation of film rights charged to cost of film and television programme production and distribution	<b>12,140</b>	7,211	<b>12,763</b>	7,800
Depreciation of property, plant and equipment	<b>317</b>	440	<b>634</b>	898
Impairment loss on film rights recognised and included in cost of film and television programme production and distribution	-	8,700	<b>42,005</b>	8,700
Impairment loss on prepaid artiste fees and included in selling and distribution costs	-	-	<b>6,762</b>	-
Impairment loss on loans to artistes and included in selling and distribution costs	-	-	<b>4,827</b>	-
and after crediting:				
Impairment loss on film rights reversed and included in cost of film and television programme production and distribution	<b>1,627</b>	-	-	-
Reversal of allowance for bad and doubtful debts	<b>7</b>	-	-	50

Notes: (Continued)

## 6. Earnings (Loss) per Share

The calculation of basic earnings (loss) per share is based on the unaudited consolidated profit attributable to equity holders of the Company of approximately HK\$24,723,000 for the Quarterly Period (2007: loss of HK\$13,732,000) and loss of approximately HK\$42,465,000 for the Half Yearly Period (2007: HK\$21,912,000) and the 260,000,000 ordinary shares in issue during the periods.

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

## 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\$101,000 (2007: HK\$480,000), disposed of property, plant and equipment with aggregate net book value of approximately HK\$13,000 (2007: HK\$11,000) and spent approximately HK\$23,774,000 (2007: HK\$100,235,000) 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 net of allowance for bad and doubtful debts at the balance sheet date:

	<b>As at</b>	
	<b>31st December,</b>	30th June,
	<b>2008</b>	2008
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Current	<b>5,846</b>	21,768
Overdue		
0 - 30 days	<b>3,696</b>	4,896
31 - 60 days	<b>1,454</b>	1,246
61 - 90 days	<b>423</b>	268
over 90 days	<b>4,457</b>	3,443
	<b>10,030</b>	9,853
	<b>15,876</b>	31,621

Notes: (Continued)

## 9. Trade Payables

The following is an aged analysis of trade payables at the balance sheet date:

	<b>As at</b>	
	<b>31st December, 2008 (Unaudited) HK\$'000</b>	30th June, 2008 (Audited) HK\$'000
Current	<b>2,547</b>	5,952
Overdue		
0 - 30 days	<b>3,606</b>	3,185
31 - 60 days	<b>3,968</b>	1,591
61 - 90 days	<b>3,428</b>	1,836
over 90 days	<b>13,572</b>	7,932
	<b>27,121</b>	20,496

## 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:

	<b>As at</b>	
	<b>31st December, 2008 (Unaudited) HK\$'000</b>	30th June, 2008 (Audited) HK\$'000
In respect of:		
Rented premises		
Within one year	<b>4,852</b>	5,187
In the second to fifth year inclusive	<b>1,185</b>	3,235
	<b>6,037</b>	8,422
Broadcasting service		
Within one year	<b>495</b>	540
In the second to third year inclusive	<b>-</b>	225
	<b>495</b>	765

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) Other commitments**

	<b>As at</b>	
	<b>31st December,</b>	30th June,
	<b>2008</b>	2008
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Amounts contracted for but not provided in the consolidated financial statements in respect of:		
Artiste fees	<b>4,955</b>	6,382
Film production costs	<b>63,499</b>	64,776
	<hr/> <b>68,454</b> <hr/>	<hr/> 71,158 <hr/>

**11. Contingent Liabilities**

During the Half Yearly Period, the Group was involved in legal proceedings in relation to alleged breach of engagement contracts involving the Group's artistes. The outcome of these legal proceedings are uncertain because they are still in the early stage and are difficult for the directors of the Company to assess the impact of the litigations on the financial position of the Group.

Notes: (Continued)

## 12. Related Party Transactions

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

	<b>Six months ended 31st December, 2008 (Unaudited) <i>HK\$'000</i></b>	2007 (Unaudited) (Restated) <i>HK\$'000</i>
<b>Transaction with immediate holding company</b>		
Interest expense	<b>327</b>	–
<b>Transaction with former ultimate holding company</b>		
Interest expense	<b>4,702</b>	2,248
<b>Transactions with related companies</b>		
Distribution and promotion income	<b>646</b>	977
Income from back office support services (including accounting services)	<b>30</b>	90
Income from sales of goods	<b>259</b>	28
Sponsorship fee income	<b>284</b>	100
Advertising and promotion expenses	<b>99</b>	134
Car park rental expenses	<b>70</b>	94
Corporate secretarial fee	<b>93</b>	80
Management fees and air-conditioning charges	<b>306</b>	351
Operating lease rental expenses	<b>2,056</b>	1,403
Professional service fee	<b>150</b>	–
Sharing of administrative expenses	<b>1,801</b>	1,704

The related companies are companies ultimately controlled by The Albert Yeung Discretionary Trust (the "Trust") (of which Dr. Yeung Sau Shing, Albert ("Dr. Albert Yeung") is the founder), a controlling shareholder of the Company, and/or by certain directors of the Company.

## DIVIDEND

The Board did not recommend the payment of an interim dividend for the Half Yearly Period (2007: Nil).

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

As at 31st December, 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") (Note)	Family	204,484,000	78.65%

*Note:* The shares were beneficially owned by Surplus Way. The entire issued share capital of Surplus Way was held by Million Way. Million Way was wholly-owned by STC International Limited ("STC International") which is the trustee of the Trust, a discretionary trust set up by Dr. Albert Yeung. Dr. Albert Yeung, as founder of the 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 a 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 (1))</i>	Family	1	100%
Ms. Semon Luk	Million Way <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	992,635,364	55.92%
Mr. Wong Chi Fai	Emperor International <i>(Note (3))</i>	Beneficial owner	15,000,000	0.84%
Ms. Fan Man Seung, Vanessa	Emperor International <i>(Note (3))</i>	Beneficial owner	15,000,000	0.84%

#### Notes:

- (1) Surplus Way was the beneficial owner of 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 Million Way which was wholly-owned by STC International, the trustee of the Trust. Dr. Albert Yeung, as founder of the Trust, was deemed to be interested in the share capital of Surplus Way and Million Way. By virtue of the aforesaid interests of Dr. Albert Yeung, Ms. Semon Luk (spouse of Dr. Albert Yeung and a director of the Company) was also deemed to be interested in the share capital of Surplus Way and Million Way.
- (2) Charron was the beneficial owner of 992,635,364 shares in Emperor International. The entire issued share capital of Charron was held by Million Way which was wholly-owned by STC International, the trustee of the Trust. By virtue of the interests of the Trust in Surplus Way and Charron, both Charron and Emperor International were associated corporations of the Company. Dr. Albert Yeung, as founder of the Trust, was deemed to be interested in the share capital of Charron and Emperor International. By virtue of the aforesaid interests of Dr. Albert Yeung, Ms. Semon Luk (spouse of Dr. Albert Yeung and a director of the Company) was also deemed to be interested in the share capital of Charron and Emperor International.
- (3) These underlying shares represent the share options granted to directors under the share option scheme of Emperor International.

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

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

<b>Name</b>	<b>Capacity/ Nature of interests</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage holding</b>
Surplus Way <i>(Note (1))</i>	Beneficial owner	204,484,000	78.65%
Million Way <i>(Note (1))</i>	Interest in a controlled corporation	204,484,000	78.65%
STC International <i>(Note (1))</i>	Trustee	204,484,000	78.65%
Dr. Albert Yeung <i>(Note (1))</i>	Founder of the Trust	204,484,000	78.65%

**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>
South China Finance and Management Limited <i>(Note (2))</i>	Beneficial owner	15,556,000	5.98%
South China Financial Holdings Limited <i>(Note (2))</i>	Interest in a controlled corporation	15,556,000	5.98%
South China Holdings Limited <i>(Note (2))</i>	Interest in a controlled corporation	15,556,000	5.98%
Ms. Cheung Choi Ngor <i>(Note (2))</i>	Interest in a controlled corporation	15,556,000	5.98%
Mr. Richard Howard Gorges <i>(Note (2))</i>	Interest in a controlled corporation	15,556,000	5.98%
Mr. Ng Hung Sang <i>(Note (2))</i>	Interest in a controlled corporation	15,556,000	5.98%

*Notes:*

- (1) The shares were held by Surplus Way. The entire issued share capital of Surplus Way was held by Million Way which was wholly-owned by STC International, the trustee of the Trust. Dr. Albert Yeung, as founder of the Trust, was deemed to be interested in the 204,484,000 shares held by Surplus Way. 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.
- (2) South China Finance and Management Limited is a wholly-owned subsidiary of South China Financial Holdings Limited. East Hill Development Limited is a controlling shareholder of South China Financial Holdings Limited and is wholly-owned by Tek Lee Finance and Investment Corporation which is a wholly-owned subsidiary of South China (BVI) Limited. South China Holdings Limited is the holding company of South China (BVI) Limited.

Mr. Ng Hung Sang is the controlling shareholder of Eartrade Investments Limited, Parkfield Holdings Limited, Fung Shing Group Limited and Bannock Investment Limited, all of which are deemed substantial shareholders of South China Holdings Limited. Ms. Cheung Choi Ngor and Mr. Richard Howard Gorges are both substantial shareholders of Eartrade Investment Limited.

## **INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS**

*(Continued)*

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

*(Continued)*

Save as disclosed above, as at 31st December, 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 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 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 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 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 TRANSACTIONS**

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' securities transactions on terms no less exacting than the required standard of dealings. 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 financial statements as set out in this interim report have not been audited nor reviewed by the Company's auditor, Deloitte Touche Tohmatsu, but the report has been reviewed by the audit committee of the Company, who is of the opinion that the preparation of such report 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, 11th February, 2009

As at the date hereof, the Board comprises the following directors:

*Non-executive Director:*

Luk Siu Man, Semon (*Chairperson*)

*Executive Directors:*

Ng Sui Wan alias Ng Yu

Wong Chi Fai

Fan Man Seung, Vanessa

*Independent Non-executive Directors:*

Wong Ching Yue

Chu Kar Wing

Wong Tak Ming, Gary