



Third Quarterly Report
2008-2009



EEG

Emperor Entertainment Group Limited
英皇娛樂集團有限公司

(Incorporated in Bermuda with limited liability)
GEM Stock Code: 8078

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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 nine months ended 31st March, 2009

For the nine months ended 31st March, 2009 (the "Nine-month Period"), the Company and its subsidiaries (collectively referred to as the "Group") reported an increase of revenue of 36.4% to approximately HK\$134.4 million (2008: HK\$98.5 million). A net loss of approximately HK\$47.4 million (2008: HK\$22.3 million) was recorded mainly due to impairment loss of approximately HK\$45.5 million on certain film rights owned by the Group as a result of a revised expected return from those film productions by the Group's management in view of the slowdown of the global economy.

OPERATION REVIEW

Artiste Management

During the Nine-month Period, the artiste management business segment recorded a turnover of approximately HK\$38.1 million (2008: HK\$27.7 million), accounting for 28.3% of the Group's total revenue. This segment remained an important and stable revenue driver for the Group. However, the management has a cautious view towards the outlook of this segment in the coming periods due to the economic downturn which may trigger revenue fluctuations from period to period.

During the Nine-month Period, seven new artistes have joined the Group, bringing the total number of artistes to 54 as at 31st March, 2009 (2008: 58).

Event Production

The Group also engages in organising concerts and stage performance. This segment recorded income of approximately HK\$7.2 million (2008: HK\$12.4 million), which contributed 5.4% to the Group's total revenue during the Nine-month Period.

During the Nine-month Period, the Group organised four productions, namely "Art" by Yasmina Reza, "BEYOND", "Crazy for her" and "I love you, you're perfect, now change!". All of the shows were well received by audience. The Group also jointly organised six concerts and co-organised the annual EEG Singing Contest with Television Broadcasts Limited in September 2008. The singing contest serves as one of the channels for the Group to source talented artistes.

Music Production and Distribution

The music production and distribution segment reported turnover of approximately HK\$25.3 million for the Nine-month Period (2008: HK\$35.3 million), amounting to 18.8% of the Group's total revenue.

During the Nine-month Period, the Group released 36 music albums (2008: 62).

OPERATION REVIEW (Continued)

Music Production and Distribution (Continued)

Sales of music albums amounted to approximately HK\$9.7 million (2008: HK\$16.3 million). Copyright licensing income contributed revenue of approximately HK\$11.3 million (2008: HK\$14.2 million). Income from provision of multimedia content to telecommunications operators amounted to approximately HK\$4.3 million (2008: HK\$4.8 million).

Although the segment had been adversely affected by the economic downturn as well as by keen competition and copyright infringement activities in the industry, the Group saw an improvement of profit margin from this segment through its cost measures.

Film and Television Programme Production and Distribution

The Group received from film and television programme production and distribution revenue of approximately HK\$63.8 million during the Nine-month Period (2008: HK\$23.1 million), which accounted for 47.5% of the Group's total revenue. The revenue was mainly derived from release of "*Connected*", "*The Beast Stalker*" and "*Shinjuku Incident*" and "*Red Cliff*" as well as the licensing of "*The Medallion*", "*Twins Effect*", "*Yes, I Can See Dead People*" and "*Sex and the City*".

The film "*The Beast Stalker*" was particularly well received and one of the main actors Nick Cheung even won The Best Actor Award by the Hong Kong Film Critics Society with his brilliant rendition of a desperate hit man in "*The Beast Stalker*". He also impressed The 28th Hong Kong Film Awards Presentation Ceremony shortly following the reporting period and earned another Best Actor Award with his outstanding performance in the film.

The Group has also distributed two motion pictures funded by its own investment - Chen Kaige's "*Forever Enthralled*", starring Leon Lai and Zhang Ziyi which saw an encouraging theatrical box-office gross in The People's Republic of China ("PRC"), and Oliver Stone's "*W.*", the controversial docu-drama starring Josh Brolin as former U.S. President George W. Bush.

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

In the meantime, the joint acquisition/distribution alliance between Emperor Motion Pictures ("EMP") – the Group's film production and distribution arm and Lark Films has yielded one of its most successful releases to date with this year's Academy Award winner for best foreign language film, "*Departures*". Directed by Yojiro Takita and starring Masahiro Motoki, Ryoko Hirose and Tsutomu Yamazaki, this heart-warming drama overwhelmed both critics and audience alike to become one of the highest grossing Japanese films ever to be released in Hong Kong. "*Winged Creatures*", another title acquired under the EMP/Lark Films arrangement, was also released during the Nine-month Period.

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

During the Nine-month Period, EMP has concluded an agreement with Taiwan's Chang-Hong Channel Film and Video Co., Ltd. regarding the distribution of its latest Jay Chou project, tentatively entitled "*The Treasure Hunter*", in Hong Kong and Macau. Principal photography of this action adventure, which also stars Lin Chi-ling and directed by Kevin Chu, has commenced and a Christmas 2009 release is being expected.

A number of films from EMP gained significant exposure on the festival circuit during the Nine-month Period. "*Forever Enthralled*" and Dante Lam's "*The Beast Stalker*" were both showcased during the Berlin International Film Festival, with the former featured prominently in the prestigious main competition section. "*Yes, I Can See Dead People*", by David Lee, made its festival debut in January 2009 at Rotterdam. Whereas the long-awaited "*Shinjuku Incident*", directed by Derek Yee and starring Jackie Chan, opened the Hong Kong International Film Festival with its world premiere in March 2009.

On the reporting date of this financial report, the Group has completed production of two other films under its own production. At the same time, there are one film under self-production, and another film and a television programme in co-production with third parties. They are all scheduled to be released in 2009 to 2011.

PROSPECTS

The global economic downturn has taken a downward swirl at the end of 2008 and consumers in Hong Kong and overseas have reduced their spendings. The market remains gloomy and uncertain and companies have 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.

The albums and film productions are well received and the two segments have been serving as important promotion tools to boost the popularity of the Group's artistes and enhance the Group's returns in concert production and artiste management.

On the production front, EMP is in finishing touches in the development of projects by Benny Chan, Jackie Chan, Stanley Tong, Dante Lam, Jiang Wen and Derek Yee. Principal photography on all of these projects is expected to commence during the first and second quarters of the financial year of 2009/2010.

On the television front, 上海上影英皇文化發展有限公司, the Group's joint venture company, is in the final stage of pre-production on the television drama series based on the Jackie Chan blockbuster "*The Myth*". Production on the series is expected to commence during the last quarter of the current financial year, targeting for broadcast during the first quarter of the 2010/2011 financial year.

PROSPECTS *(Continued)*

EMP was formally granted permission by the PRC government to set up in Beijing a wholly-owned film distribution company, 英皇電影發行(北京)有限公司. This will serve as a platform for the Group's future expansion into a rapidly expanding 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, the Group will continue to be prudent and cautious in its business approach in view of the current global economic downturn. It will continue to explore possibility of investing in international productions, while at the same time source promising talents and projects from the market.

The board of directors of the Company (the "Board") announces the unaudited consolidated results of the Group for the three months ended 31st March, 2009 (the "Quarterly Period") and the Nine-month Period together with the comparative figures for the corresponding periods in 2008 as follows:

	Notes	Three months ended 31st March,		Nine months ended 31st March,	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) (Restated) HK\$'000
Revenue	2	55,207	43,235	134,389	98,530
Other income		2,979	1,626	7,912	5,872
Cost of a self-organised event		-	-	(4,436)	-
Cost of provision of event production services		(965)	-	(3,291)	(1,127)
Cost of music production and distribution		(497)	(10,116)	(11,083)	(31,798)
Cost of film and television programme production and distribution		(41,493)	(10,702)	(97,425)	(27,203)
Selling and distribution costs		(2,082)	(3,600)	(15,727)	(10,544)
Administrative expenses		(12,847)	(17,905)	(47,890)	(51,201)
Finance cost		(2,058)	(1,914)	(7,087)	(4,162)
Share of results of a jointly controlled entity		(92)	(11)	363	51
(Loss) profit before taxation		(1,848)	613	(44,275)	(21,582)
Taxation	3	(3,136)	(988)	(3,174)	(711)
Loss for the period		(4,984)	(375)	(47,449)	(22,293)
Attributable to:					
Equity holders of the Company		(4,984)	(375)	(47,449)	(22,287)
Minority interests		-	-	-	(6)
		(4,984)	(375)	(47,449)	(22,293)
Loss per share	4				
- basic		(1.92) cents	(0.14) cent	(18.25) cents	(8.57) cents
- diluted		N/A	N/A	N/A	N/A

Notes:

1. General and Basis of Preparation

The Company is incorporated as an exempted company with limited liability in Bermuda under the Bermuda Companies Act. Its shares are listed on GEM of the Stock Exchange. After the corporate restructuring, Million Way Holdings Limited ("Million Way") became the Company's ultimate holding company whilst Surplus Way Profits Limited ("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 liabilities of approximately HK\$28,042,000 as at 31st March, 2009. 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 results of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The accounting policies adopted for preparation of the unaudited consolidated results are consistent with those adopted by the Group in its annual financial statements for the 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 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 March, 2009 (Unaudited)		Nine months ended 31st March, 2009 (Unaudited)	
	2008 (Unaudited)	2008 (Unaudited) (Restated)	2008 (Unaudited)	2008 (Unaudited) (Restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Artiste management fee income	<u>5,348</u>	10,352	<u>38,136</u>	27,688
Event production				
– gross revenue of a self-organised event	–	–	5,617	–
– (loss) income from jointly organised events	(3,743)	8,918	(3,865)	9,645
– income from provision of event production services	1,500	–	5,496	2,755
	<u>(2,243)</u>	8,918	<u>7,248</u>	12,400
Music production and distribution				
– sales of albums	2,415	5,846	9,677	16,298
– licence income	2,637	4,867	11,278	14,189
– multimedia income	2,200	1,346	4,276	4,845
	<u>7,252</u>	12,059	<u>25,231</u>	35,332
Film and television programme production, distribution and licensing				
– production of films and television programmes and licensing of the corresponding rights	44,006	11,182	62,277	19,485
– distribution of films and television programmes	844	724	1,497	3,625
	<u>44,850</u>	11,906	<u>63,774</u>	23,110
	<u>55,207</u>	43,235	<u>134,389</u>	98,530

Notes: (Continued)

3. Taxation

The charges for the Quarterly Period and the Nine-month Period represent Hong Kong Profit Tax calculated at 16.5% (2008: 17.5%) of the estimated assessable profits for both periods.

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

4. Loss per Share

The calculation of basic loss per share is based on the unaudited consolidated loss attributable to equity holders of the Company of approximately HK\$4,984,000 and HK\$47,449,000 for the Quarterly Period and the Nine-month Period (2008: HK\$375,000 and HK\$22,287,000) respectively and the 260,000,000 ordinary shares in issue during both periods.

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

Notes: (Continued)

5. Capital, Reserves and Minority Interests

	Attributable to equity holders of the Company								
	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Special reserve (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total equity (Unaudited) 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	-	-	-	-	990	-	990	23	1,013
Net income recognised directly in equity	-	-	-	-	990	-	990	23	1,013
Loss for the period	-	-	-	-	-	(22,287)	(22,287)	(6)	(22,293)
Total recognised income (expense) for the period	-	-	-	-	990	(22,287)	(21,297)	17	(21,280)
At 31st March, 2008	<u>2,600</u>	<u>105,614</u>	<u>83,783</u>	<u>75,000</u>	<u>1,210</u>	<u>(193,772)</u>	<u>74,435</u>	<u>(1,665)</u>	<u>72,770</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	-	-	-	-	1,390	-	1,390	-	1,390
Share of changes in equity of a jointly controlled entity	-	-	-	-	229	-	229	-	229
Net income recognised directly in equity	-	-	-	-	1,619	-	1,619	-	1,619
Loss for the period	-	-	-	-	-	(47,449)	(47,449)	-	(47,449)
Total recognised income (expense) for the period	-	-	-	-	1,619	(47,449)	(45,830)	-	(45,830)
At 31st March, 2009	<u>2,600</u>	<u>105,614</u>	<u>83,783</u>	<u>75,000</u>	<u>3,008</u>	<u>(296,106)</u>	<u>(26,101)</u>	<u>(1,941)</u>	<u>(28,042)</u>

DIVIDEND

The Board did not recommend the payment of an interim dividend for the Nine-month Period (2008: Nil).

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

As at 31st March, 2009, 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 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 Albert Yeung Discretionary Trust (the "Trust"), a discretionary trust set up by Dr. Yeung Sau Shing, Albert ("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 being the spouse of Dr. Albert Yeung, Ms. Semon Luk (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 <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%
Ms. Semon Luk	Diamond Palace Limited <i>(Note (3))</i>	Family	1	100%
Ms. Semon Luk	Allmighty Group Limited <i>(Note (3))</i>	Family	100	100%
Ms. Semon Luk	Emperor Watch & Jewellery Limited <i>(Note (3))</i>	Family	3,370,480,000	74.9%
Ms. Semon Luk	Velba Limited <i>(Note (4))</i>	Family	1	100%
Ms. Semon Luk	New Media Group Holdings Limited <i>(Note (4))</i>	Family	450,000,000	75%
Mr. Wong Chi Fai	Emperor International <i>(Note (5))</i>	Beneficial owner	15,000,000	0.84%
Ms. Fan Man Seung, Vanessa	Emperor International <i>(Note (5))</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. By virtue of the interests of the Trust in Surplus Way and Million Way, both Surplus Way and Million Way were associated corporations of the Company. 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 being the spouse of Dr. Albert Yeung, Ms. Semon Luk (a director of the Company) was also deemed to be interested in the share capital of Surplus Way and Million Way.

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

Notes: (Continued)

- (2) Charron Holdings Limited ("Charron") was the beneficial owner of 992,635,364 shares in Emperor International, representing 55.92% of the issued share capital of 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 Charron and Emperor International, 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 being the spouse of Dr. Albert Yeung, Ms. Semon Luk (a director of the Company) was also deemed to be interested in the share capital of Charron and Emperor International.
- (3) Allmighty Group Limited ("Allmighty Group") was the beneficial owner of 3,370,480,000 shares in Emperor Watch & Jewellery Limited ("Emperor Watch"), representing 74.9% of the issued share capital of Emperor Watch. Allmighty Group was wholly-owned by Diamond Palace Limited ("Diamond Palace"). The entire share capital of Diamond Palace 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 Allmighty Group, Diamond Place and Emperor Watch, all of these three companies were associated corporations of the Company. Dr. Albert Yeung, as founder of the Trust, was deemed to be interested in the share capital of Allmighty Group, Diamond Place and Emperor Watch. By virtue of being the spouse of Dr. Albert Yeung, Ms. Semon Luk (a director of the Company) was also deemed to be interested in the share capital of Allmighty Group, Diamond Place and Emperor Watch.
- (4) Velba Limited was the beneficial owner of 450,000,000 shares in New Media Group Holdings Limited ("New Media"), representing 75% of the issued share capital of New Media. The entire share capital of Velba Limited 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 Velba Limited and New Media, both Velba Limited and New Media were associated corporations of the Company. Dr. Albert Yeung, as founder of the Trust, was deemed to be interested in the share capital of Velba Limited and New Media. By virtue of being the spouse of Dr. Albert Yeung, Ms. Semon Luk (a director of the Company) was also deemed to be interested in the share capital of Velba Limited and New Media.
- (5) These underlying shares represent the share options granted to directors under the share option scheme of Emperor International.

Save as disclosed above, as at 31st March, 2009, 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, 2009, 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, 2009, 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 (Note (1))	Beneficial owner	204,484,000	78.65%
Million Way (Note (1))	Interest in a controlled corporation	204,484,000	78.65%
STC International (Note (1))	Trustee	204,484,000	78.65%
Dr. Albert Yeung (Note (1))	Founder of the Trust	204,484,000	78.65%
South China Finance and Management Limited (Note (2))	Beneficial owner	15,556,000	5.98%
South China Financial Holdings Limited (Note (2))	Interest in a controlled corporation	15,556,000	5.98%
South China Holdings Limited (Note (2))	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
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.

Save as disclosed above, as at 31st March, 2009, 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.

REVIEW OF RESULTS

The unaudited results of the Group for the Quarterly Period and Nine-month Period have not been audited nor reviewed by the Company's auditor, Deloitte Touche Tohmatsu, but have been reviewed by the audit committee of the Company, who is of the opinion that the preparation of such results has complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The audit committee comprises the three independent non-executive directors of the Company, namely Mr. Chu Kar Wing (Chairman of the audit committee), Mr. Wong Ching Yue and Mr. Wong Tak Ming, Gary.

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

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

By Order of the Board
Luk Siu Man, Semon
Chairperson

Hong Kong, 12th May, 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