Annual 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

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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Contents

Corporate Information

Directors

Luk Siu Man, Semon* *(Chairperson)*
Wong Chi Fai
Fan Man Seung, Vanessa
Ng Sui Wan (alias Ng Yu)
Chu Kar Wing**
Wong Ching Yue**
Wong Tak Ming, Gary**

* *Non-executive Director*
** *Independent Non-executive Directors*

Company Secretary

Mok Fung Lin, Ivy, *LL.B. (Hons.) P.C.LL, MBA*

Compliance Officer

Wong Chi Fai, *FCCA, CPA*

Authorised Representatives

Fan Man Seung, Vanessa
Mok Fung Lin, Ivy

Audit Committee

Chu Kar Wing *(Chairman)*
Wong Ching Yue
Wong Tak Ming, Gary

Remuneration Committee

Wong Chi Fai *(Chairman)*
Chu Kar Wing
Wong Tak Ming, Gary

Auditor

Deloitte Touche Tohmatsu

Bankers

The Hongkong and Shanghai Banking Corporation Limited
Allied Irish Banks plc

Principal Office

28th Floor
Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Registrars *(in Bermuda)*

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Registrars *(in Hong Kong)*

Tricor Secretaries Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Website

http://www.emp8078.com

GEM Stock Code

8078

Biographies of Directors and Senior Executives

NON-EXECUTIVE DIRECTOR AND CHAIRPERSON

LUK SIU MAN, SEMON, aged 53, joined Emperor Entertainment Group Limited (the "Company") in November 2000. She graduated from The University of Toronto with a Bachelor's Degree in Commerce. She worked in the banking industry for almost 10 years. Ms. Luk is also the non-executive director and chairperson of Emperor International Holdings Limited ("Emperor International") and Emperor Entertainment Hotel Limited ("Emperor Hotel"), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

EXECUTIVE DIRECTOR AND COMPLIANCE OFFICER

WONG CHI FAI, aged 53, joined the Company in January 1994. He is an associate of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. He is the Chairman of the Remuneration Committee of the Company. He is also a director of Emperor International, Emperor Hotel, New Media Group Holdings Limited ("New Media") and Emperor Watch & Jewellery Limited ("EWJ"). New Media and EWJ are companies listed on the Main Board of the Stock Exchange. Having over 20 years of finance and management experience, Mr. Wong has diversified experience in different businesses ranging from artiste management and entertainment production to manufacturing, hotel and hospitality, property investment and development, watch and jewellery retailing as well as media.

EXECUTIVE DIRECTOR

FAN MAN SEUNG, VANESSA, aged 46, joined the Company in January 1994. She is a lawyer by profession in Hong Kong and a qualified accountant. She also holds a Master's Degree in Business Administration. Ms. Fan is also a director of Emperor International, Emperor Hotel, New Media and EWJ. Having over 20 years of corporate management experience, she possesses diversified experience in different businesses including artiste management and entertainment production, property investment and development, hotel and hospitality, financial and securities operations, watch and jewellery retailing as well as media.

EXECUTIVE DIRECTOR

NG SUI WAN (alias NG YU), aged 59, joined the Company in December 2001. Prior to joining the Company, he was the General Manager of Celestial Pictures Limited, an associated company of Television Broadcasts Limited ("TVB"), in charge of motion film production. He had worked for Capital Artists Limited for four years since 1996, holding the position as General Manager. During that period, he had been involved in record production, publishing and distribution and talent management. Before, Mr. Ng was the Production Controller of TVB for 20 years, commanding television programme production and creative teams.

INDEPENDENT NON-EXECUTIVE DIRECTOR

CHU KAR WING, aged 52, joined the Company in September 2004. He holds a Bachelor's Degree in Social Science majoring in Economics. He is the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He has extensive experience in the banking and finance sector for several well-known corporations. Mr. Chu is also an independent non-executive director of China Power New Energy Development Company Limited and ZMAY Holdings Limited, the shares of which are listed on the Main Board and the Growth Enterprise Market ("GEM") of the Stock Exchange respectively.

INDEPENDENT NON-EXECUTIVE DIRECTOR

WONG CHING YUE, aged 60, joined the Company in November 2000. He is a senior counsel, barrister-at-law, practising in Hong Kong since 1975. He is a member of the Audit Committee of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTOR

WONG TAK MING, GARY, aged 33, joined the Company in September 2004. He is a certified public accountant (practising) and a fellow member of both the Association of Chartered Certified Accountants and The Taxation Institute of Hong Kong. He obtained a Bachelor's Degree in Applied Accounting (Hons) in the United Kingdom. He is a member of the Audit Committee and the Remuneration Committee of the Company. He now runs a professional accountancy firm in Hong Kong and has over 10 years' experience in the field of auditing and accounting. Mr. Wong is also an independent non-executive director of Century Legend (Holdings) Limited, the shares of which are listed on the Main Board of the Stock Exchange.

Chairperson's Statement

MANAGEMENT DISCUSSION AND ANALYSIS

For the 12 months ended 30th June, 2009 (the "12-month Period"), the Company and its subsidiaries (collectively referred to as the "Group") reported an increase in revenue to approximately HK$204.5 million, as compared to HK$156.2 million for the 15 months ended 30th June, 2008 (the "15-month Period" or "2008"). The Group had narrowed its loss to HK$65.3 million from HK$78.5 million in 2008 due to improved margins and cost-cutting measures. The loss for the 12-month Period is mainly attributable to the Group's impairment loss of approximately HK$73.9 million on certain film rights as a result of revision of 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 12-month Period, the artiste management business segment recorded a turnover of approximately HK$50.0 million (2008: HK$48.1 million), accounting for 24.5% of the Group's total revenue. This segment provided a stable revenue driver for the Group but the business is subject to revenue fluctuations from period to period due to changes in economic climate.

During the 12-month Period, nine new artistes have joined the Group, bringing the total number of artistes to 53 as at 30th June, 2009 (30th June, 2008: 56).

Event Production

The Group also engages in organising concerts and stage performance. This segment recorded income of approximately HK$12.7 million (2008: HK$17.6 million), which contributed 6.2% to the Group's total revenue.

During the 12-month Period, the Group organised five productions, namely "*Art*" by Yasmina Reza, "*BEYOND*", "*Crazy for her*", "*I love you, you're perfect, now change!*" and "*Our Memorable Era*". The Group also jointly organised 12 concerts and co-organised the annual EEG Singing Contest with TVB 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$34.6 million for the 12-month Period (2008: HK$49.3 million), amounting to 16.9% of the Group's total revenue.

During the 12-month Period, the Group released 47 music albums (2008: 84). Sales of music albums amounted to approximately HK$13.2 million (2008: HK$22.3 million). Copyright licensing income contributed revenue of approximately HK$15.2 million (2008: HK$19.8 million). Income from provision of multimedia content to telecommunications operators amounted to approximately HK$6.2 million (2008: HK$7.2 million).

This segment serves as a channel for promoting artistes and provides synergy with other operations of the Group.

Chairperson's Statement

Film and Television Programme Production and Distribution

The Group received from film and television programme production and distribution revenue of approximately HK$107.2 million during the 12-month Period (2008: HK$41.2 million), which accounted for 52.4% of the Group's total revenue.

On the local distribution front, Emperor Motion Pictures ("EMP") – the Group's film production and distribution arm had a very active year, releasing a total of 11 films during the 12-month Period, including five titles from EMP's thriving distribution/marketing alliance with Lark Films: "*Space Chimps*", "*The Edge of Love*", "*Winged Creature*", "*Departures*" and "*Coco avant Chanel*". Other releases during this period included: "*Connected*", "*The Beast Stalker*", "*Forever Enthralled*", "*Home Run*", "*Shinjuku Incident*" and "*W.*". Overall, the box-office performance of these titles were solid, with Japan's Oscar winner "*Departures*", Benny Chan's "*Connected*", Dante Lam's "*The Beast Stalker*" and Derek Yee's much anticipated Jackie Chan action drama "*Shinjuku Incident*" being particularly well received.

Films from EMP have fared particularly well in film festivals throughout the world during the 12-month Period, garnering numerous awards and recognitions. Following hot on the heel of Chen Kaige's "*Forever Enthralled*", which competed in the prestigious Berlinale, Dante Lam's "*The Beast Stalker*" scooped both the Best Actor (Nick Cheung Ka-fai) and Best Supporting Actor (Liu Kai-chi) awards at the Hong Kong Film Awards, as well as the Hong Kong Film Critics Society's Best Actor award for Nick Cheung. It is one of the most sought after Hong Kong films in the international festival circuit, having already played Berlin, Udine, San Francisco, Beaune, Neuchatel and Puchon among many others.

On the international front, however, EMP has felt the negative effect of the worst global economic crises in recent history. Despite best efforts at various international film markets, including Cannes and the American Film Market, sales have been lacklustre.

In view of the market's uncertainties, EMP has chosen to have a relatively quiet year on the production front, with only two projects going into production during the 12-month Period. The first, Dante Lam's "*The Beast Stalker*", starring Nicholas Tse, Nick Cheung Ka-fai, Liu Kai-chi and Zhang Jingchu, was completed and released. The second completed project, "*Happily Ever After*", directed jointly by Y.Y. Kong and Azreal Chung, and starring EEG's Michelle Wai, Ken Hung and Carlos Chan, was released in August 2009.

To explore market potentials, EMP had entered, renewed or consolidated various strategic and business alliances to work closely with major regional players, including the China Film Group, Huayi Media, PolyBona, Taiwan's Chang Hong, as well as Hong Kong's Lark Films, in projects ranging from distribution to equity investment.

Among the highlights of these new ventures is an agreement under which EMP will distribute four films in Hong Kong for Huayi Media, including Gao Qunshu and Chen Kuo Fu's WWII espionage thriller "*The Message*" and Tsui Hark"s "*Detective Dee*". By securing these alliances, the Group believes that EMP will be better placed to take advantage of the rapidly growing regional market once the economy commences its recovery.

On the television front, production on SFS-Emperor's television drama series "*The Myth*", based on Jackie Chan's theatrical blockbuster, has commenced during the 12-month Period. Production is scheduled to wrap in the third quarter of 2009 with a targeted telecast date of the first quarter of 2010. Sales response in China is extremely encouraging.

While one of the worst global economic meltdowns in history has severely affected demands for EMP's products, especially internationally, the phenomenal and rapid growth of the China market – with an annual theatrical box-office turnover exceeding RMB4.4 billion in the calendar year of 2008 – opens up numerous opportunities and gives the Group more than a glimmer of hope.

To better prepare for EMP's inevitable future push into the thriving China market, a wholly-owned distribution office had been set up in Beijing.

Chairperson's Statement

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 album sales serve as an important promotion tool to boost the popularity of the Group's artistes and enhance the Group's returns in concert production and artiste management.

With the global economic recovery on its gradual way, EMP anticipates demand for products to pick up towards the end of 2009. With the China theatrical market bracing itself for yet another record-breaking year, aggressive plans are in place by EMP to meet the new challenge.

On the production front, new projects by Derek Yee ("*Triple Tap*", starring Louis Koo, Daniel Wu, Li Bingbing and Charlene Choi), Jiang Wen ("*Let the Bullets Fly*" starring Jiang Wen, Chow Yun-fat and Ge You), Dante Lam ("*Stool Pigeon*", a follow up to "*The Beast Stalker*" re-uniting Nicholas Tse with Nick Cheung and Liu Kai-chi), Benny Chan ("*Shaolin*", starring Andy Lau, Nicholas Tse, Zhou Xun, Wu Jing with a special appearance by Jackie Chan) and Jackie Chan (tentatively entitled "*Chinese Zodiac*", directed and starring Jackie Chan) are among those scheduled to go in front of the camera during the coming year.

On the distribution front, the afore-mentioned four-picture slate from Huayi Media, Chang Hong's Jay Chou adventure "*The Treasure Hunter*", PolyBona's Jackie Chan action comedy "*Little Big Soldier*", "*No Man's Land*" the latest anarchic comedy from Ning Hao of "*Crazy Stone*" fame, and "*Kung Fu Kid*", a remake of the legendary "*Karate Kid*", starring Jackie Chan, Jaden Smith and directed by Harald Zwart, in addition to more offering from the EMP/Lark Films alliance, are all scheduled for release in the coming year.

Much attention and resources will be devoted in the coming financial year to China through EMP's distribution subsidiary in Beijing, which hopefully will offer EMP a platform to gain a stronger foothold and to better distribute and market EMP's coming slate of films in China.

CORPORATE SOCIAL RESPONSIBILITIES

As one of the leading entertainment companies, the Group always strives to contribute to the community and participates in charity events and fulfills its corporate social responsibilities, leveraging on the popularity of its artistes.

During the 12-month Period, the Group had participated in a friendship tour of nearly 100 volunteer staff to Leigu County, Sichuan Province, led by artistes like Charlene Choi, Gillian Chung, Yumiko Cheng and Don Li, in echo to the other relief efforts the Group made shortly after the 512 Earthquake in 2008. The tour, jointly staged by the Group, Emperor Foundation and Social Workers Across Borders in September 2008, spent with the local residents their first Mid-Autumn Festival after the natural disaster. The artistes had performed in a bonfire concert as well as paid home visits to earthquake-affected families and participated in the construction of some sports facilities at the campus of a rebuilt school.

The Group's artistes have performed in nearly 50 charity shows during the 12-month Period, including Caritas Star Studded Charity Show in July 2008; Yan Chai Charity Show in January 2009 and Tung Wah Charity Show in December 2008. Their performance have successfully raised considerable sums of funds for various charities.

The Group has also hosted the stage premiere of Hung Sin-Nui Cantonese Opera "Diao Man Gong Zhu Gang Fu Ma" ("The Obstinate Princess and Her Honest Husband") in May 2009, which raised fund for Tung Wah Group of Hospitals.

In recognition of its contribution to the society, the Group was awarded the Caring Company Logo for the year 2008-2009 by Hong Kong Council of Social Service.

Chairperson's Statement

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

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 30th June, 2009, the balance of the advances from Surplus Way was amounted to approximately HK$189.2 million (30th June, 2008: HK$187.8 million), which were denominated in Hong Kong dollars, unsecured and interest bearing at the Hong Kong prime rate. The Group has obtained the financial support from Surplus Way, which committed to provide continuous financial support to the Group by providing adequate funds and agreed not to demand repayment of the advances at least the next twelve months from the balance sheet date or until the Group has the ability to do so, whichever is the latter. The gearing ratio (expressed as a percentage of total borrowings over total assets) of the Group was 82% (30th June, 2008: 60%).

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 12-month Period.

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 of the Company (the "Directors" or the "Board") expected the Group to have sufficient working capital for its operation.

COMMITMENTS

Total commitments of the Group as at 30th June, 2009 was approximately HK$145.6 million (30th June, 2008: HK$80.3 million), which comprised HK$4.7 million for operating leases in respect of rented premises and broadcasting services, HK$15.9 million for artiste fees and HK$125.0 million for film production costs.

CONTINGENT LIABILITIES

During the 12-month 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 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 30th June, 2009 was 112 (30th June, 2008: 141) and total staff costs for the 12-month Period were approximately HK$42.4 million (2008: HK$60.4 million). Employees' remuneration was determined in accordance with individual's responsibility, performance and experience. Staff benefits include contributions to retirement benefit scheme, medical allowances and other fringe benefits. To provide incentive or rewards to the employees, the Company has adopted a share option scheme in year 2004. No option was granted or outstanding during the 12-month Period.

Directors' Report

The Board presents its annual report and the audited consolidated financial statements of the Group for the year ended 30th June, 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the 12-month Period are set out in the consolidated income statement on page 30.

The Directors do not recommend the payment of a final dividend for the 12-month Period (2008: Nil).

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the 12-month Period are set out in note 16 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 30th June, 2009, the Company had no reserves available for distribution.

DIRECTORS

The Directors during the 12-month Period and up to the date of this report were:

Non-executive Director:

Ms. Luk Siu Man, Semon *(Chairperson)*

Executive Directors:

Mr. Wong Chi Fai

Ms. Fan Man Seung, Vanessa

Mr. Ng Sui Wan (alias Ng Yu)

Independent Non-executive Directors:

Mr. Chu Kar Wing

Mr. Wong Ching Yue

Mr. Wong Tak Ming, Gary

Subject to the service contracts hereinafter mentioned, the term of office of each Director, including the independent non-executive Directors, is the period up to his/her retirement by rotation in accordance with the Bye-laws of the Company.

In accordance with Bye-laws 87(1) and 87(2) of the Company's Bye-laws, Mr. Wong Chi Fai, Mr. Wong Ching Yue and Mr. Chu Kar Wing shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Directors' Report

DIRECTORS *(continued)*

Mr. Ng Yu entered into a service agreement with the Company to serve as an executive Director for an initial term of one year commencing from 26th August, 2004, and will continue thereafter until terminated by not less than three months' notice in writing served by either party.

On 25th October, 2005, Mr. Ng Yu entered into an employment contract with Emperor Entertainment (Hong Kong) Limited, a wholly-owned subsidiary of the Company, in relation to his service as the Chief Executive Officer of the Company in connection with the businesses of the Group, for a term commencing from 10th December, 2005 until terminated by not less than three months' notice in writing served by either party or payment in lieu of notice.

Each of Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa, entered into a service agreement with the Company to serve as an executive Director for an initial term of two years commencing from 30th November, 2000, and will continue thereafter until terminated by not less than three months' notice in writing served by either party.

Each of the non-executive Directors has entered into a service contract with the Company for an initial term of two years commencing on the following respective dates, with all the term being renewed automatically for successive term of one year each commencing from the date next after the expiry of the then current term, unless terminated by not less than three months' notice in writing served by either party:

Name of director	**Commencing date**
Mr. Wong Ching Yue	1st April, 2002
Ms. Luk Siu Man, Semon ("Ms. Semon Luk")	30th November, 2002
Mr. Chu Kar Wing	30th September, 2004
Mr. Wong Tak Ming, Gary	30th September, 2004

Save as disclosed above, none of the Directors has a service agreement with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

(a) During the 12-month Period, Emperor Motion Picture Limited ("EMPL"), an indirect wholly-owned subsidiary of the Company, had the following transactions with JCE Movies Limited ("JCE"), a connected party as defined in the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules"):

Date of agreement	Nature of transaction	Terms	Amount for the 12-month Period HK$'000
"Enter the Phoenix" Distribution Agreement			
25th September, 2003	Sole and exclusive right granted to EMPL to distribute the licensed rights of a motion picture "*Enter The Phoenix*" produced by JCE	25th September, 2003 to 24th September, 2008 (subject to automatic renewal for 5 years upon expiry of such renewed term or any subsequent term unless the agreement is terminated by either party in writing 3 months in advance prior to the expiry of such term) at the agency fee rates ranging from 2% to 12% of the gross income from theatrical release or from other forms of media under the agreement	**15**
"New Police Story" Distribution Agreement			
31st October, 2003	Sole and exclusive right granted to EMPL to distribute the licensed rights of a motion picture "*New Police Story*" produced by JCE	31st October, 2003 to 31st March, 2006 and subsequently renewed up to 31st March, 2009 (subject to automatic renewal for 3 years upon expiry of such renewed term or any subsequent term (as the case may be) unless the agreement is terminated by either party in writing 3 months in advance prior to the expiry of such term) at the agency fee rate of 2% for the distribution in North America, Hong Kong in respect of theatrical rights and worldwide by sub-sales agents and 12% for others (including distribution in Hong Kong for all licensed rights other than theatrical rights)	**31**

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS *(continued)*

(a) *(continued)*

Date of agreement	Nature of transaction	Terms	Amount for the 12-month Period HK$'000
"The Myth" Distribution Agreement			
1st November, 2004	Sole and exclusive right granted to EMPL to distribute the licensed rights of a motion picture "*The Myth*" produced by JCE	1st November, 2004 to 31st March, 2007 and subsequently renewed up to the 31st March, 2010 (subject to automatic renewal for 3 years upon expiry of such renewed term or any subsequent term unless the agreement is terminated by either party in writing 3 months in advance prior to the expiry of such term) at the agency fee rates ranging from 2% to 12% of the gross income from theatrical release or from other forms of media, depends on the type of medium, territories or whether EMPL is required to rebate sub-sales agent for the distribution	**626**
"House of Fury" Distribution Agreement			
1st November, 2004	Sole and exclusive right granted to EMPL to distribute the licensed rights of a motion picture "*House of Fury*" produced by JCE	1st November, 2004 to 31st March, 2007 and subsequently renewed up to 31st March, 2010 (subject to automatic renewal for 3 years upon expiry of such renewed term or any subsequent term unless the agreement is terminated by either party in writing 3 months in advance prior to the expiry of such term) at the agency fee rate of 2% for distribution in North America, Hong Kong in respect of theatrical rights and worldwide by sub-sales agents and 12% for others (including distribution in Hong Kong for all licensed rights other than theatrical rights)	**55**

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS *(continued)*

(a) *(continued)*

Date of agreement	Nature of transaction	Terms	Amount for the 12-month Period HK$'000
"Rob-B-Hood" Distribution and Marketing Agreements			
15th May, 2006	(i) Provision by EMPL to JCE of marketing and public relation services to promote the motion picture "*Rob-B-Hood*" in Hong Kong at a fixed fee of HK$30,000 for the project plus a flexible fee ranging from 5% to 10% of the gross/net media publication charges or cash received from sponsors, depending the nature of income from sponsors and promotional expenses	15th May, 2006 to 31st March, 2009 and subsequently renewed up to 31st March, 2012, (subject to automatic renewal for 3 years upon expiry of such renewed term or any subsequent term (as the case may be) unless the relevant agreement is terminated by either party with 3-month written notice prior to the expiry of such term) at the agency fee rates ranging from 2% to 12% of the gross income from theatrical release or from other forms of media under the agreement	**Nil**
	(ii) Sole and exclusive right granted to EMPL to distribute the licensed rights of the motion picture "*Rob-B-Hood*" worldwide in all language versions dubbed and subtitled		**709**

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS *(continued)*

(a) *(continued)*

Date of agreement	Nature of transaction	Terms	Amount for the 12-month Period HK$'000
"Run Papa Run" Agreement			
15th October, 2007	(i) Provision by EMPL to JCE of marketing and public relation services to promote the motion picture "*Run Papa Run*" in Hong Kong at (1) a fixed fee of one-time charge HK$50,000 for the project payable upon presentation of invoice by EMPL within 30 days from the date of the Marketing Agreement, plus (2) a flexible fee ranging from 5% to 10% of the gross/ net media publication charges or cash received from sponsors, depending the nature of income from sponsors and promotional expenses, which is payable upon such fee is ascertained by EMPL based on the charges and sponsors amount	15th October, 2007 to 31st March, 2010 (subject to (a) renewal at the option of EMPL for a period of 3 years commencing on 1st April, 2010 and (b) automatic renewal for 3 years upon expiry of such renewed term or any subsequent term unless the agreement is terminated by either party in writing 3 months in advance prior to the expiry of such term) at the agency fee rates ranging from 2% to 12% of the gross income from theatrical release or from other forms of media, depends on the type of medium, territories or whether EMPL is required to rebate sub-sales agent for the distribution. EMPL is entitled to deduct and retain for itself the agency fee and relevant expenses from the gross income derived from "*Run Papa Run*"	**Nil**
	(ii) Sole and exclusive right granted to EMPL to distribute the licensed rights of "*Run Papa Run*" worldwide in all language versions dubbed and subtitled		**299**

Remark: JCE is ultimately beneficially owned as to 50% by The Albert Yeung Discretionary Trust (the "Trust"), a discretionary trust set up by Dr. Yeung Sau Shing, Albert ("Dr. Albert Yeung"), a deemed substantial shareholder of the Company and the spouse of Ms. Semon Luk, a Director, and 50% by an independent third party (as defined in the GEM Listing Rules). JCE is therefore a deemed connected person of the Company and Ms. Semon Luk is deemed to be interested in the above agreements.

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS *(continued)*

(a) *(continued)*

The "Distribution and promotion income" in the amount of HK$1,735,000 as shown in note 36(a) – "Related Party Transactions" to the consolidated financial statements represents the same total amount of the above continuing connected transactions under item (a).

The provision of the market and distribution services by EMPL to JCE under the above agreements are in the ordinary and usual course of business of EMPL as EMPL is engaged in the business of film distribution. The Directors consider that the terms of the agreements are fair and reasonable and they are in the best interest of the Company and its shareholders as a whole. The terms of the agreements were negotiated on arm's length basis between the parties and are on normal commercial terms after comparing with other film distribution agreements made by EMPL with other independent third parties (as defined in the GEM Listing Rules).

(b) During the 12-month Period, Emperor Connection Limited, an indirect wholly-owned subsidiary of the Company, had the following transactions with connected persons as defined in the GEM Listing Rules:

	Name of counterparty	Nature of transaction	Terms	Amount for the 12-month Period HK$'000
(i)	*Tenancy Agreements dated 26th May, 2008*			
	Very Sound Investments Limited (Note)	Operating lease rentals paid (27/F of Emperor Group Centre ("EGC"))	1st April, 2008 to 31st March, 2010 at a monthly fee of HK$233,075 (exclusive of rates, management fees and other outgoing charges)	**2,797**
		Operating lease rentals paid (Shop 121 of EGC)	1st April, 2008 to 31st March, 2009 at a monthly fee of HK$40,000 (inclusive of rates, management fees and air-conditioning charges) (expired and no renewal made)	**360**
(ii)	*Tenancy Agreement dated 26th May, 2008*			
	Golden Pegasus Investment Limited (Note)	Operating lease rentals paid (Portion of 12/F of Ulferts Centre)	1st April, 2008 to 31st March, 2011 at a monthly fee of HK$15,248 (inclusive of rates and management fees)	**183**
(iii)	*Tenancy Agreement dated 6th December, 2007*			
	Headwise Investment Limited (Note)	Operating lease rentals paid (Unit 2101, 21/F of EGC)	8th September, 2007 to 31st March, 2010 at a monthly fee of HK$47,916 (exclusive of rates, management fees and other outgoing charges) (early terminated on 28th February, 2009)	**383**

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS *(continued)*

(c) During the 12-month Period, Golden Finder Limited, an indirect wholly-owned subsidiary of the Company, had the following transaction with a connected person as defined in the GEM Listing Rules:

	Name of counterparty	Nature of transaction	Terms	Amount for the 12-month Period HK$'000
(i)	*Tenancy Agreement dated 5th February, 2009*			
	Headwise Investment Limited (Note)	Operating lease rentals paid (Units 901 & 902, 9/F of EGC)	1st February, 2009 to 31st January, 2011 at a monthly fee of HK$62,719 (exclusive of rates, management fees and other outgoing charges)	**251**

The "Operating lease rental expenses" as shown in note 36(a) – "Related Party Transactions" to the consolidated financial statements, included the total amount of HK$3,974,000 of the above continuing connected transactions under items (b)(i) to (iii) and (c)(i).

Note: The counterparties are all indirect wholly-owned subsidiaries of Emperor International. Emperor International is a listed company as to 56.34% of its shares were held by Charron Holdings Limited ("Charron") as at 30th June, 2009. The entire issued share capital of Charron was indirectly held by STC International Limited ("STC International"), the trustee of the Trust. The founder of the Trust is Dr. Albert Yeung who is a deemed substantial shareholder of the Company.

The Directors considered that the above continuing connected transactions have been entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

In accordance with Rule 20.34 of the GEM Listing Rules, based on the calculations of the percentage ratios (other than the profits ratio) and since the total amount of the annual fees received or paid under the continuing connected transactions with the same group of the counterparty for the year ended 30th June, 2009 was less than HK$10,000,000, the continuing connected transactions are subject to the reporting and announcement requirements set out in Rules 20.45 to 20.47 of the GEM Listing Rules but exempted from the independent shareholders' approval requirements. The Directors confirmed that in respect of the above continuing connected transactions, the Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS *(continued)*

Pursuant to Rule 20.38 of the GEM Listing Rules, the Board has engaged the auditor of the Company to perform certain agreed upon procedures in respect of the above continuing connected transactions of the Group. The auditor has reported its factual findings on these procedures to the Board. The procedures, where applicable, were performed solely to assist the Directors to evaluate, in accordance with the GEM Listing Rules, whether the continuing connected transactions entered into by the Group for the 12-month Period:

(a) have received the approval of the Directors;

(b) have been entered into in accordance with the terms of the relevant agreements governing such transactions; and

(c) have not exceeded the relevant cap amount for the financial year ended 30th June, 2009 as disclosed in previous announcements.

The independent non-executive Directors have reviewed the continuing connected transactions and the report of the auditor and have confirmed that the transactions have been entered into by the Group in the ordinary and usual course of its business, on normal commercial terms, and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Save as disclosed above, no contracts of significance to which the Company, or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the 12-month Period or at any time during such period.

Directors' Report

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

As at 30th June, 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 maintained by the Company pursuant to 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 as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

(a) Long position in shares of the Company

Name of director	Nature of interests	Number of ordinary shares held	Approximate percentage holding
Ms. Semon Luk (Note)	Family	204,484,000	78.65%

Note: The shares were held by Surplus Way. The entire issued share capital of Surplus Way was indirectly owned by STC International being 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. By virtue of being the spouse of Dr. Albert Yeung, Ms. Semon Luk was also deemed to be interested in such shares.

(b) Long positions in shares/underlying 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 (Note (1))	Family	1	100%
Ms. Semon Luk	Million Way Holdings Limited ("Million Way") (Note (1))	Family	1	100%
Ms. Semon Luk	Charron (Note (2))	Family	1	100%
Ms. Semon Luk	Emperor International (Note (2))	Family	1,000,213,364	56.34%
Ms. Semon Luk	Velba Limited ("Velba") (Note (3))	Family	1	100%
Ms. Semon Luk	New Media (Note (3))	Family	450,000,000	75%
Ms. Semon Luk	Allmighty Group Limited ("Allmighty Group") (Note (4))	Family	100	100%
Ms. Semon Luk	Diamond Palace Limited ("Diamond Palace") (Note (4))	Family	1	100%
Ms. Semon Luk	EWJ (Note (4))	Family	3,370,480,000	74.9%
Mr. Wong Chi Fai	Emperor International (Note (5))	Beneficial	15,000,000	0.84%
Ms. Fan Man Seung, Vanessa	Emperor International (Note (5))	Beneficial	15,000,000	0.84%

Directors' Report

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

(b) Long positions in shares/underlying shares of associated corporations *(continued)*

Notes:

(1) Surplus Way was the substantial shareholder of the Company holding 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 in turn wholly-owned by STC International being the trustee of the Trust. Dr. Albert Yeung, as founder of the Trust, was deemed to be interested in the respective share capital of Surplus Way and Million Way. By virtue of being the spouse of Dr. Albert Yeung, Ms. Semon Luk was also deemed to be interested in the share capital of Surplus Way and Million Way.

(2) Emperor International is a company with its shares listed in Hong Kong; 1,000,213,364 shares of Emperor International were held by Charron. The entire issued share capital of Charron was held by Million Way which was in turn wholly-owned by STC International being the trustee of the Trust. Dr. Albert Yeung, as founder of the Trust, was deemed to be interested in the share capital of Charron and the aforesaid shares in Emperor International held by Charron. By virtue of being the spouse of Dr. Albert Yeung, Ms. Semon Luk was also deemed to be interested in the said shares.

(3) New Media is a company with its shares listed in Hong Kong; 450,000,000 shares of New Media were held by Velba. The entire issued share capital of Velba was held by Million Way which was in turn wholly-owned by STC International being the trustee of the Trust. Dr. Albert Yeung, as founder of the Trust, was deemed to be interested in the share capital of Velba and the aforesaid shares in New Media held by Velba. By virtue of being the spouse of Dr. Albert Yeung, Ms. Semon Luk was also deemed to be interested in the said shares.

(4) EWJ is a company with its shares listed in Hong Kong; 3,370,480,000 shares of EWJ were held by Allmighty Group, a wholly-owned subsidiary of Diamond Palace which was in turn wholly-owned by Million Way. Million Way was owned by STC International being the trustee of the Trust. Dr. Albert Yeung, as the founder of the Trust, was deemed to be interested in the share capital of Allmighty Group and Diamond Palace and the aforesaid shares in EWJ held by Allmighty Group. By virtue of being the spouse of Dr. Albert Yeung, Ms. Semon Luk was also deemed to be interested in the said shares.

(5) Share options granted to the Directors under the share option scheme of Emperor International.

Save as disclosed above, as at 30th June, 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 as referred to in Rule 5.46 of the GEM Listing Rules.

Directors' Report

SHARE OPTION SCHEME AND DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At the annual general meeting of the Company held on 26th August, 2004, the shareholders of the Company approved the adoption of a new share option scheme which became effective from 11th November, 2004. Details of the share option scheme are set out in note 34 to the consolidated financial statements.

The Company has not granted any option under the share option scheme since its adoption. The total number of shares available for issue under the share option scheme as at the date of this report was 26,000,000 shares, representing 10% of the issued share capital of the Company as at the date of adoption.

Save as disclosed above, at no time during the 12-month Period was the Company or any of its subsidiaries a party to any arrangements to enable any Director or chief executive of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Directors' Report

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as known to the Directors, as at 30th June, 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 shares of the Company

Name	Capacity/ Nature of interests	Number of ordinary shares held	Approximate percentage holding
Surplus Way (Note)	Beneficial owner	204,484,000	78.65%
Million Way (Note)	Interest in a controlled corporation	204,484,000	78.65%
STC International (Note)	Trustee	204,484,000	78.65%
Dr. Albert Yeung (Note)	Founder of the Trust	204,484,000	78.65%
South China Finance and Management Limited	Beneficial owner	15,426,000	5.93%
South China Financial Holdings Limited	Interest in a controlled corporation	15,426,000	5.93%
Mr. Ng Hung Sang	Interest in a controlled corporation	15,426,000	5.93%

Note: The shares were held by Surplus Way. The entire issued share capital of Surplus Way was held by Million Way which was in turn wholly-owned by STC International being 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.

Save as disclosed above, as at 30th June, 2009, the Directors 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.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

During the 12-month Period, the aggregate amount of revenue attributable to the Group's five largest customers represented less than 30% of the total revenue of the Group.

The five largest suppliers contributed to less than 30% of the Group's total purchases and services received during the 12-month Period.

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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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, 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 businesses 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 consider that since Ms. Semon Luk is a non-executive Director 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 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

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 23 to 27.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company maintained the allowable lower minimum prescribed public float under the GEM Listing Rules and shall comply with the public float requirement under Rule 11.23 of the GEM Listing Rules by no later than 30th June, 2011 as stipulated under Rule 17.38A of the GEM Listing Rules.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to the GEM Listing Rules. The Company considers all of the independent non-executive Directors are independent.

Directors' Report

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Luk Siu Man, Semon
Chairperson

Hong Kong
31st August, 2009

Corporate Governance Report

The Board strives to attain and maintain a solid, transparent and sensible framework of corporate governance. The Company has fully complied with all the provisions of the Code on Corporate Governance Practice (the "Code") as set out in Appendix 15 to the GEM Listing Rules throughout the 12-month Period.

THE BOARD

The Board is responsible to lead and control the business operations of the Group. It formulates strategic directions, oversees the operations and monitors the financial performance of the Group. The management manages the businesses of the Group within the delegated power and authority given by the Board.

As at 30th June, 2009, the Board comprised seven Directors (one non-executive Director who is also the Chairperson of the Company, three executive Directors and three independent non-executive Directors). The biographies of the Directors are set out on page 3 of this report under the "Biographies of Directors and Senior Executives" section.

Ms. Luk Siu Man, Semon has been appointed as the Chairperson since 2000. With the assistance the Company Secretary, she would ensure all Board members work effectively and discharge his/her responsibility by providing timely, reliable and sufficient information on issues to be discussed at Board meetings. She is also responsible for setting the agenda for each Board meeting, taking into account any matters proposed by the Directors. The Board members are properly briefed of the issues discussed and the meeting material is dispatched to the Directors before the meetings.

The independent non-executive Directors who bring in strong expertise, contribute a more impartial view and make independent judgement on issues to be discussed at Board meetings.

The experienced management team implements the decisions from the Board and proposes management and investment proposals for the Board to approve. The team assumes full accountability to the Board for all operations of the Group.

The non-executive Directors were appointed for an initial term of two years, with all the terms being renewed automatically for successive terms of one year each commencing from the date next after the expiry of the then current terms, unless terminated by not less than three months' notice in writing served by either party. Pursuant to the Bye-laws of the Company, every Director shall be subject to retirement by rotation at least once every three years in order to comply with the requirement of the Code.

The Company has received a confirmation of independence from each of the independent non-executive Directors. The Board considers each of them to be independent by reference to the factors stated in the GEM Listing Rules. The independent non-executive Directors have been expressly identified as such in all corporate communications of the Company that disclose the names of Directors.

The Board has set up the Audit Committee and Remuneration Committee on 30th September, 2004 and 20th June, 2005 respectively. The Committees comprise a majority of independent non-executive Directors and have clear written terms of reference. Details of these two Committees are set out in the paragraphs "Audit Committee" and "Remuneration Committee" below. The Company has not established a nomination committee.

Corporate Governance Report

THE BOARD *(continued)*

The Board held six meetings during the 12-month Period with the attendance of each Director as follows:

Name of Committee member	Number of meeting attended	Attendance rate
Non-executive director:		
Luk Siu Man, Semon	4/6	66.66%
Executive directors:		
Wong Chi Fai	6/6	100%
Fan Man Seung, Vanessa	6/6	100%
Ng Sui Wan (alias Ng Yu)	5/6	83.33%
Independent non-executive directors:		
Chu Kar Wing	6/6	100%
Wong Ching Yue	5/6	83.33%
Wong Tak Ming, Gary	6/6	100%

Board meeting notice was sent to the Directors at least 14 days prior to the regular meetings. Directors have access to the advice and services of the Company Secretary and key officers of the Company Secretarial team for ensuring that the Board procedures and all applicable rules and regulations are followed. Draft and final versions of the minutes of Board meetings and Board committee meetings, drafted in sufficient details by the secretary of the meetings, were circulated to the Directors for their comment and record respectively. Originals of such minutes, being kept by the Company Secretary, are open for inspection at any reasonable time on reasonable notice by any Directors. There is a procedure agreed by the Board to enable the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

The Company has adopted a revised code of conduct regarding securities transactions by directors and senior executives on no less terms than the required standard of dealings set out in Rules 5.48 to Rules 5.68 of the GEM Listing Rules. Having made specific enquiry to all Directors, all the Directors confirmed that they have complied with the required standard of dealings and the code of conduct.

Corporate Governance Report

THE BOARD *(continued)*

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Chu Kar Wing (Chairman of the Audit Committee), Mr. Wong Ching Yue and Mr. Wong Tak Ming, Gary. They possess accounting, banking and other professional expertise. The Board has adopted a revised terms of reference on 11th February, 2009 as to conform to the amended GEM Listing Rules. The revised terms of reference has been set out in the Company's website: www.emp8078.com. The Audit Committee is primarily responsible for making recommendations to the Board on the appointment and removal of the external auditor, to approve the remuneration and terms of engagement of external auditor, review financial information and oversight of the financial reporting system and internal control procedures.

The Audit Committee convened five meetings during the 12-month Period with the attendance as follows:

Name of Committee member	Number of meeting attended	Attendance rate
Chu Kar Wing	5/5	100%
Wong Ching Yue	5/5	100%
Wong Tak Ming, Gary	5/5	100%

The summary of work performed by the Audit Committee during the 12-month Period is set out below:

i. Discussed with the external auditor and the finance-in-charge the 2008 audit plan for the 15-month ended 30th June, 2008 and authorize the management to negotiate with the external auditor on the audit fee;

ii. Reviewed with the external auditor the impact to the Group in respect of the amendments to the accounting principles;

iii. Reviewed the external auditor's independence and the effectiveness of the audit process;

iv. Met with the external auditor and reviewed their work and findings relating to the annual audit for the 15-month ended 30th June, 2008;

v. Reviewed with the finance-in-charge and/or the external auditor the accounting principles and practices adopted by the Group, the accuracy and fairness of the annual financial statements for the 15-month ended 30th June, 2008 and the quarterly and interim financial statements;

vi. Reviewed with the finance-in-charge the effectiveness of the internal control system of the Group;

vii. Annual review of the non-exempt continuing connected transactions of the Group for the 15-month ended 30th June, 2008;

viii. Approved the audit fee for the 15-month ended 30th June, 2008 and recommended to the Board on the re-appointment of external auditor; and

ix. Recommended the Board to adopt the Revised Terms of Reference of the Audit Committee.

Corporate Governance Report

THE BOARD *(continued)*

Remuneration Committee

The Remuneration Committee consists of three members namely Mr. Wong Chi Fai, an executive Director, and two independent non-executive Directors, Mr. Chu Kar Wing and Mr. Wong Tak Ming, Gary. The Remuneration Committee is chaired by Mr. Wong Chi Fai. The major responsibility of the Remuneration Committee is assisting the Board to attract, retain and motivate the high calibre executives, and making recommendations on the establishment of a formal and transparent procedure for developing remuneration policy.

Details of the remuneration of each of the Directors for the 12-month Period are set out in note 13(a) to the consolidated financial statements. The specific written terms of reference of the Remuneration Committee are available in the Company's website: www.emp8078.com.

The Remuneration Committee convened one meeting during the 12-month Period with the attendance as follows:

Name of Committee member	Number of meeting attended	Attendance rate
Wong Chi Fai	1/1	100%
Chu Kar Wing	1/1	100%
Wong Tak Ming, Gary	1/1	100%

The summary work performed by the Remuneration Committee during the 12-month Period is set out as follows:

i. determining the policy for the remuneration of executive Directors and made recommendation to the Board to adopt a written Remuneration policy; and

ii. assessing the performance of the executive Directors and reviewing the remuneration structure/package of the Directors and made recommendation to the Board on the Directors' remuneration.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge that it is their responsibility to prepare the accounts of the Group and other financial disclosures required under the GEM Listing Rules. The management has provided information and explanation to the Board to enable it to make an informed assessment of the financial and other Board decisions.

Corporate Governance Report

INTERNAL CONTROL

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system. The internal control system is implemented to minimise the risks to which the Group is exposed and used as a management tool for the day-to-day operation of business. The system can only provide reasonable but not absolute assurance against misstatements or losses.

The internal control system has been implemented by the Company since 2000. During the 12-month Period, the Company has formulated an internal self-assessment process of all material controls including financial, operational and compliance controls and risk management functions and the Audit Committee is charged with the task to evaluate the effectiveness of the system. Also, the management has analysed the control environment and risk assessment, assessed the various controls implemented and agreed with the Audit Committee on the scope of review. The approach of the review includes conducting interviews with relevant management and staff members, reviewing relevant documentation of the internal control system and evaluating findings on any deficiencies in the design of the internal controls and developing recommendations for improvement, where appropriate.

The management has reported the results of the review to the Audit Committee for its evaluation on the effectiveness of the system.

COMMUNICATION WITH SHAREHOLDERS

The Company communicated with the shareholders in the following ways: (i) the holding of annual general meeting which provide an opportunity for the shareholders to communicate directly with the Board; (ii) the publication of announcements, quarterly reports, interim reports, annual report and/or circular as required under the GEM Listing Rules providing up-dated information of the Group; and (iii) the availability of latest information of the Group in our website. Shareholders and investors are welcome to visit the Company's website and raise enquiries through our Investor Relations Department whose contact details are available on the Company's website at www.emp8078.com. Separate resolutions are proposed at the annual general meeting on each substantial separate issue, including the election of individual directors as required under the GEM Listing Rules.

The Chairperson of the annual general meeting and chairman/members of the Audit Committee and Remuneration Committee were available at the annual general meeting held on 28th October, 2008 to answer questions from the shareholders.

The forthcoming annual general meeting of the Company will be held on 20th October, 2009 which will be conducted by way of poll.

AUDITOR'S INDEPENDENCE AND REMUNERATION

The Audit Committee is mandated to monitor the independence of the external auditor to ensure true objectivity in the financial statements. Members of the Committee are of the view that the Company's auditor, Deloitte Touche Tohmatsu is independent and recommended to the Board to re-appoint it as the Company's external auditor at the forthcoming annual general meeting.

During the 12-montth Period, Deloitte Touche Tohmatsu has rendered audit services to the Company and the remuneration paid/payable to it by the Company is set out as follows:

Service rendered	**Fee paid/payable HK$'000**
Audit services	1,606

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF EMPEROR ENTERTAINMENT GROUP LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Emperor Entertainment Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 79, which comprise the consolidated balance sheet as at 30th June, 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year ended 30th June, 2009, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30th June, 2009 and of the Group's loss and cash flows for the year ended 30th June, 2009 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
31st August, 2009

Consolidated Income Statement

For the year ended 30th June, 2009

	NOTES	1.7.2008 to 30.6.2009 HK$'000	1.4.2007 to 30.6.2008 HK$'000
Revenue	8 & 9	**204,494**	156,229
Other income		**8,860**	9,104
Cost of self-organised events		**(5,239)**	–
Cost of provision of event production services		**(3,114)**	(2,885)
Cost of music production and distribution		**(17,472)**	(43,678)
Cost of film and television programme production and distribution		**(161,697)**	(94,490)
Selling and distribution costs		**(20,063)**	(11,882)
Administrative expenses		**(61,929)**	(84,230)
Finance cost	10	**(9,067)**	(6,529)
Gain on winding up of a subsidiary	11	**–**	317
Share of results of a jointly controlled entity		**504**	(212)
Loss before taxation	12	**(64,723)**	(78,256)
Taxation	14	**(562)**	(219)
Loss for the year/period		**(65,285)**	(78,475)
Attributable to:			
Equity holders of the Company		**(65,285)**	(78,469)
Minority interests		**–**	(6)
		(65,285)	(78,475)
Loss per share – basic	15	**HK cents (25.11)**	HK cents (30.18)

Consolidated Balance Sheet

At 30th June, 2009

	NOTES	**2009** **HK$'000**	2008 HK$'000
Non-current assets			
Property, plant and equipment	16	**1,994**	2,180
Interests in jointly controlled entities	17	**4,981**	4,246
Prepayments and other receivables	18	**10,933**	9,955
Film rights	19	**63,120**	189,509
		81,028	205,890
Current assets			
Inventories and record masters	20	**2,702**	1,857
Trade receivables	21	**27,019**	31,621
Prepayments and other receivables	18	**59,039**	40,208
Loan to a jointly controlled entity	22	**10,817**	3,044
Taxation recoverable		**–**	142
Bank balances and cash	23	**51,288**	32,545
		150,865	109,417
Current liabilities			
Trade payables	24	**20,518**	20,496
Other payables and accrued charges	25	**65,499**	87,045
Amount due to the former ultimate holding company	26	**–**	119,495
Loan from a minority shareholder of a subsidiary	27	**2,000**	2,000
Taxation payable		**568**	161
		88,585	229,197
Net current assets (liabilities)		**62,280**	(119,780)
Total assets less current liabilities		**143,308**	86,110
Non-current liability			
Amount due to the immediate holding company/ former ultimate holding company	26	**189,223**	68,322
		(45,915)	17,788

Consolidated Balance Sheet

At 30th June, 2009

	NOTE	2009 HK$'000	2008 HK$'000
Capital and reserves			
Share capital	28	**2,600**	2,600
Reserves		**(46,574)**	17,129
Equity attributable to equity holders of the Company		**(43,974)**	19,729
Minority interests		**(1,941)**	(1,941)
		(45,915)	17,788

The consolidated financial statements on pages 30 to 79 were approved and authorised for issue by the Board of Directors on 31st August, 2009 and are signed on its behalf by:

Wong Chi Fai
Director

Fan Man Seung, Vanessa
Director

Consolidated Statement of Changes in Equity

For the year ended 30th June, 2009

	Attributable to equity holders of the Company								
	Share capital HK$'000	**Share premium** HK$'000	**Contributed surplus** HK$'000 (note 29(a))	**Special reserve** HK$'000 (note 29(b))	**Translation reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000	**Minority interests** HK$'000	**Total equity** HK$'000
At 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	–	–	–	–	1,722	–	1,722	(3)	1,719
Share of translation reserve of a jointly controlled entity	–	–	–	–	104	–	104	–	104
Net income (expense) recognised directly in equity	–	–	–	–	1,826	–	1,826	(3)	1,823
Loss for the period	–	–	–	–	–	(78,469)	(78,469)	(6)	(78,475)
Transfer to profit or loss on winding up of a subsidiary	–	–	–	–	(73)	–	(73)	(244)	(317)
Total recognised income (expense) for the period	–	–	–	–	1,753	(78,469)	(76,716)	(253)	(76,969)
At 30th June, 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	–	–	–	–	1,351	–	1,351	–	1,351
Share of translation reserve of a jointly controlled entity	–	–	–	–	231	–	231	–	231
Net income recognised directly in equity	–	–	–	–	1,582	–	1,582	–	1,582
Loss for the year	–	–	–	–	–	(65,285)	(65,285)	–	(65,285)
Total recognised income (expense) for the year	–	–	–	–	1,582	(65,285)	(63,703)	–	(63,703)
At 30th June, 2009	**2,600**	**105,614**	**83,783**	**75,000**	**2,971**	**(313,942)**	**(43,974)**	**(1,941)**	**(45,915)**

Consolidated Cash Flow Statement

For the year ended 30th June, 2009

	NOTE	**1.7.2008 to 30.6.2009 HK$'000**	1.4.2007 to 30.6.2008 HK$'000
Cash flows from operating activities			
Loss before taxation		**(64,723)**	(78,256)
Adjustments for:			
Allowance for bad and doubtful debts		**975**	3
Amortisation of film rights		**85,685**	18,696
Depreciation of property, plant and equipment		**1,311**	2,219
Finance cost		**9,067**	6,529
Impairment loss on film rights recognised		**73,850**	70,396
Impairment loss on loans to artistes		**3,677**	–
Impairment loss on prepaid artiste fees		**5,211**	1,991
Imputed interest on initial recognition of interest-free loans to artistes		**–**	207
Loss (gain) on disposal of property, plant and equipment		**186**	(50)
Interest income		**(1,169)**	(2,111)
Gain on winding up of a subsidiary		**–**	(317)
Share of results of a jointly controlled entity		**(504)**	212
Operating cash flows before movements in working capital		**113,566**	19,519
(Increase) decrease in inventories and record masters		**(845)**	587
Decrease (increase) in trade receivables		**3,626**	(1,602)
Increase in prepayments and other receivables		**(27,406)**	(3,951)
Increase in trade payables		**47**	5,795
(Decrease) increase in other payables and accrued charges		**(21,498)**	22,364
Cash generated from operations		**67,490**	42,712
Hong Kong Profits Tax paid		**(13)**	(1,014)
Net cash from operating activities		**67,477**	41,698
Cash flows from investing activities			
Additional costs incurred in film rights		**(33,146)**	(223,477)
Purchase of property, plant and equipment		**(1,313)**	(1,657)
Capital contribution to a jointly controlled entity		**–**	(2,270)
Advance to a jointly controlled entity		**(7,413)**	(3,044)
Interest received		**567**	869
Acquisition of a subsidiary	31	**–**	2,694
Proceeds from disposal of property, plant and equipment		**2**	62
Net cash used in investing activities		**(41,303)**	(226,823)

Consolidated Cash Flow Statement

For the year ended 30th June, 2009

	1.7.2008 to 30.6.2009 HK$'000	1.4.2007 to 30.6.2008 HK$'000
Cash flows from financing activities		
Advances from the immediate holding company/ former ultimate holding company	**113,106**	214,026
Repayment of advances from the immediate holding company/former ultimate holding company	**(111,700)**	(60,652)
Interest paid	**(9,067)**	(6,529)
Net cash (used in) from financing activities	**(7,661)**	146,845
Net increase (decrease) in cash and cash equivalents	**18,513**	(38,280)
Cash and cash equivalents at beginning of the year/period	**32,545**	69,951
Effect of foreign exchange rates changes	**230**	874
Cash and cash equivalents at end of the year/period	**51,288**	32,545
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**51,288**	32,545

Notes to the Consolidated Financial Statements

For the year ended 30th June, 2009

1. GENERAL

The Company is incorporated as an exempted company with limited liability in Bermuda under the Bermuda Companies Act. Its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). After the corporate restructuring on 17th December, 2008, 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 immediate holding company of the Company. Million Way and Surplus Way are 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 consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company. The principal activities of its principal subsidiaries are set out in note 37.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the current year cover the twelve-month period ended 30th June, 2009. The corresponding comparative amounts shown for the consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and related notes cover a fifteen-month period from 1st April, 2007 to 30th June, 2008 and therefore may not be comparable with amounts shown for the current year. The period covered in the prior period was greater than 12 months because the directors of the Company determined to bring the balance sheet date in line with the business cycle in determination and calculation of royalty payment to publishing houses, writers and composers which forms part of the cost of music production and distribution of the Group.

In preparing the 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 HK$45,915,000 as at 30th June, 2009. The Group has obtained the financial support from the immediate holding company, which committed to provide continuous financial support to the Group by providing adequate funds and agreed not to demand repayment of the amount due to it for at least the next twelve months from the balance sheet date or until the Group has the ability to repay the amount, whichever is the latter. Based on the above, the directors believe that the Group will have sufficient cash resources to satisfy its future working capital. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC)* – Int 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – Int 12	Service concession arrangements
HK(IFRIC) – Int 13	Customer loyalty programmes
HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

* IFRIC represents the International Financial Reporting Interpretations Committee.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of financial statements[3]
HKAS 23 (Revised)	Borrowing costs[3]
HKAS 27 (Revised)	Consolidated and separate financial statements[4]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[3]
HKAS 39 (Amendment)	Eligible hedged items[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate[3]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[5]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[3]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[5]
HKFRS 3 (Revised)	Business combinations[4]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments[3]
HKFRS 8	Operating segments[3]
HK(IFRIC) – Int 15	Agreements for the construction of real estate[3]
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation[6]
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners[4]
HK(IFRIC) – Int 18	Transfers of assets from customers[7]

1 Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009.

2 Effective for annual periods beginning on or after 1st January, 2009, 1st July, 2009 and 1st January, 2010, as appropriate.

3 Effective for annual periods beginning on or after 1st January, 2009.

4 Effective for annual periods beginning on or after 1st July, 2009.

5 Effective for annual periods beginning on or after 1st January, 2010.

6 Effective for annual periods beginning on or after 1st October, 2008.

7 Effective for transfers on or after 1st July, 2009.

The adoption of HKFRS 3 (Revised) may affect the Group's accounting treatment for business combination for which the acquisition date is on or after 1st July, 2009. HKAS 27 (Revised) will affect the Group's accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other standards or interpretations will have no material impact on the results or financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values on initial recognition, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Revenue

Revenue represents the aggregate of amounts received and receivable from services provided, event production completed, albums sold, net of sales returns, musical works licensed, production and distribution of films and television programmes, licensing of distribution rights over films and television programmes during the year.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in the normal course of business, net of discounts and sales related taxes.

Artiste management fee income is recognised when the services are provided.

Assignment income is recognised when the relevant assignment contracts are completed and the Group's entitlement to such payments has been established.

Income from event production is recognised when the events are completed or the services are provided and the amount can be measured reliably.

Sales of albums are recognised when the albums are delivered and the title has passed.

Income from the licensing of the musical works is recognised when the Group's entitlement to such payments has been established which is upon the delivery of the master copy or materials to the customers.

Income from the production and distribution of films and television programmes is recognised when the production is completed and released and the amount can be measured reliably.

Income from the licensing of distribution rights over films and television programmes is recognised when the Group's entitlement to such payments has been established which is upon the delivery of the master copy or materials to the customers or when the notice of delivery is served to the customers.

Dividend income from investments is recognised when the rights to receive payment have been established.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income is recognised in the consolidated income statement on a straight line basis over the term of the relevant lease.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and any accumulated impairment loss.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the period in which the item is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Film rights

Film rights include the unamortised cost of completed theatrical films and television episodes, theatrical films and television series under production and rights of the films acquired or licensed from outsiders for exhibition and other exploitation.

Film rights are stated at cost less accumulated amortisation and any identified impairment loss.

Amortisation is charged to the consolidated income statement using a method that reasonably relates the carrying amount of film rights to the net revenue expected to be realised. The net revenue expected to be realised is reviewed on a regular basis.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as expenses in the period in which they are incurred.

Inventories

Inventories represent finished goods of audio-visual products and are stated at the lower of cost and net realisable value. The cost of finished goods is calculated using the first-in, first-out method.

Record masters

Record masters represent accumulated costs incurred in the production of master tapes of which the relevant audio-visual products are not yet released at the balance sheet date less any expected loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are mainly classified into loans and receivables. The accounting policies adopted in respect of loans and receivables are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, loan to a jointly controlled entity and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at each balance sheet date. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been impacted.

Objective evidence of impairment could include significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount is reduced by the impairment loss directly with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of loans and receivables (continued)

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment being reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables, amount due to the immediate holding company/former ultimate holding company and loan from a minority shareholder of a subsidiary) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred taxation.

The taxation currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable and deductible. The Group's liability for current taxation is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred taxation liabilities are generally recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred taxation assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised and is based on the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred taxation is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the translation of monetary items are recognised in the consolidated income statement in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Operating leases

Leases are classified as operating leases whenever the terms of the lease do not transfer substantially all the risks and rewards of ownership the assets concerned to the lessees.

Rentals payable under operating leases are charged to the consolidated income statement on a straight line basis over the period of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Rental income from operating leases is recognised in the consolidated income statement on a straight line basis over the term of the relevant lease.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 4, the directors of the Company has made the following estimation that has significant effect on the amount recognised in the consolidated financial statements. The key assumption concerning the future, and other key source of estimation uncertainty at the balance sheet date, that has a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year, are discussed below.

Amortisation and impairment on film rights

Film rights are amortised using a method that reasonably relates the carrying amount of film rights to the net revenue expected to be realised, which was estimated according to the recent market information of the film industry for each of the films. At each balance sheet date, when the present value of the expected future net revenue of film rights is estimated to be less than its carrying amount, the carrying amount of film rights will be written down to its present value of the expected future net revenue. After the recognition of an impairment loss, the revised carrying amount of the film right will be amortised over the remaining period on the above systematic method. If the actual revenue differs from the estimated net revenue expected to be realised, such difference may result in further impairment loss and/or impact the amortisation for the remaining period.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior period.

The capital structure of the Group consists of net debt, which includes amount due to the immediate holding company/former ultimate holding company as disclosed in note 26, loan from a minority shareholder of a subsidiary as disclosed in note 27 and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the debt raising.

Notes to the Consolidated Financial Statements

For the year ended 30th June, 2009

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2009 HK$'000	2008 HK$'000
Financial assets		
Loans and receivables		
Trade receivables	**27,019**	31,621
Other receivables	**25,601**	24,666
Loan to a jointly controlled entity	**10,817**	3,044
Bank balances and cash	**51,288**	32,545
	114,725	91,876
Financial liabilities		
Amortised cost		
Trade payables	**20,518**	20,496
Other payables	**9,285**	12,633
Amount due to the immediate holding company/ former ultimate holding company	**189,223**	187,817
Loan from a minority shareholder of a subsidiary	**2,000**	2,000
	221,026	222,946

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, loan to a jointly controlled entity, bank balances and cash, trade payables, other payables, amount due to the immediate holding company/former ultimate holding company and loan from a minority shareholder of a subsidiary. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

7. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk

Foreign currency risk

The Group has some sales and production costs denominated in United States dollars, which exposes the Group to foreign currency risk. Expenses incurred are generally denominated in group entity's functional currency.

As Hong Kong dollars is pegged to United States dollars, the currency risk associated with United States dollars and Hong Kong dollars is not considered significant. No sensitivity analysis is prepared as the fluctuation and impact is considered immaterial. The Group currently does not have a foreign currency hedging policy. However, the management closely monitors foreign exchange exposure and will consider hedging significant currency risk should the need arise.

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate loans to artistes, bank balances and amount due to the immediate holding company. The Group currently does not have a policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Prime Rate arising from the Group's advances from the immediate holding company.

The Group's sensitivity to cash flow interest rate risk has been determined based on the exposure to interest rates for the variable-rate financial assets and financial liabilities at the balance sheet date and the reasonably possible change taking place at the beginning of each year and held constant throughout the respective year/period.

The management adjusted the sensitivity rate from 200 basis points to 50 basis points for assessing interests rate risk after considering the impact of the financial market conditions for the year.

7. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk (continued)

Cash flow interest rate risk (continued)

If interest rates had been 50 basis points (2008: 200 basis points) higher and all other variables were held constant, the potential effect on post-tax loss would be as follows:

	1.7.2008 to 30.6.2009 HK$'000	1.4.2007 to 30.6.2008 HK$'000
Decrease (increase) in post-tax loss		
– other receivables	**2**	53
– bank balances	**251**	163
– amount due to the immediate holding company/ former ultimate holding company	**(946)**	(3,756)
	(693)	(3,540)

If interest rates had been lower in an opposite magnitude and all other variables were held constants, the potential effect on post-tax loss would be equal and opposite.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 30th June, 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to manage the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and loans to artistes at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

7. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk (continued)

In addition, the management has considered the strong financial background of the jointly controlled entity, and consider that there is no significant credit risk on the loan to jointly controlled entity.

The Group has concentration of credit risk on loans to artistes as the total amount of the loans to artistes were due from several artistes.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, loans to artistes and loan to a jointly controlled entity, the Group has no significant concentration of credit risk on trade and other receivables, with exposure spread over a number of counterparties and customers and across diverse geographical areas.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group has obtained the financial support from the immediate holding company, which committed to provide continuous financial support to the Group by providing adequate funds and agreed not to demand repayment of the amount due to it for at least the next twelve months from the balance sheet date or until the Group has the ability to repay the amount, whichever is latter. Based on the above, the directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital.

The following table details the Group's and remaining contractual maturity for its financial liabilities that will result in cash outflow. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Notes to the Consolidated Financial Statements

For the year ended 30th June, 2009

7. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk (continued)

Liquidity tables

	Weighted average effective interest rate	Less than 1 month or repayable on demand	1 – 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Total carrying amounts
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 30th June, 2009							
Trade payables	–	20,518	–	–	–	20,518	20,518
Other payables	–	9,285	–	–	–	9,285	9,285
Amount due to the immediate holding company	5.10%	–	–	–	208,533	208,533	189,223
Loan from a minority shareholder of a subsidiary	–	2,000	–	–	–	2,000	2,000
		31,803	–	–	208,533	240,336	221,026
As at 30th June, 2008							
Trade payables	–	20,496	–	–	–	20,496	20,496
Other payables	–	12,633	–	–	–	12,633	12,633
Amount due to the former ultimate holding company	6.34%	–	–	129,267	72,654	201,921	187,817
Loan from a minority shareholder of a subsidiary	–	2,000	–	–	–	2,000	2,000
		35,129	–	129,267	72,654	237,050	222,946

(c) Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis, using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of all financial assets and financial liabilities recorded at amortised cost at the respective balance sheet dates approximate their corresponding fair values.

Notes to the Consolidated Financial Statements

For the year ended 30th June, 2009

8. REVENUE

	1.7.2008 to 30.6.2009 HK$'000	1.4.2007 to 30.6.2008 HK$'000
An analysis of the Group's revenue is as follows:		
Artiste management fee income	**50,028**	48,059
Event production		
– gross revenue from self-organised events	**6,214**	–
– share of net income from jointly organised events	**317**	10,972
– income from provision of event production services	**6,182**	6,669
	12,713	17,641
Music production and distribution		
– sales of albums	**13,230**	22,303
– licence income	**15,207**	19,816
– multimedia income	**6,166**	7,181
	34,603	49,300
Film and television programme production, distribution and licensing		
– production of films and television programmes and licensing of the corresponding rights	**105,429**	34,897
– distribution of films and television programmes	**1,721**	6,332
	107,150	41,229
	204,494	156,229

Notes to the Consolidated Financial Statements

For the year ended 30th June, 2009

9. SEGMENT INFORMATION

For management purposes, the Group is currently organised into four operating divisions, namely (a) artiste management; (b) event production; (c) music production and distribution; and (d) film and television programme production, distribution and licensing. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Artiste management	–	provision of management services to artistes
Event production	–	concert management and organisation, and provision of event production services
Music production and distribution	–	sales of albums and licensing of musical works
Film and television programme production, distribution and licensing	–	production and distribution of films and television programmes and licensing of distribution rights over films and television programmes

9. SEGMENT INFORMATION *(continued)*

(a) By activity

	1.7.2008 to 30.6.2009		1.4.2007 to 30.6.2008	
	Revenue HK$'000	**Contribution to loss for the year HK$'000**	Revenue HK$'000	Contribution to loss for the period HK$'000
Artiste management	**50,028**	**20,354**	48,059	20,713
Event production	**12,713**	**1,047**	17,641	9,419
Music production and distribution	**34,603**	**1,806**	49,300	(21,184)
Film and television programme production, distribution and licensing	**107,150**	**(75,604)**	41,229	(74,598)
	204,494	**(52,397)**	156,229	(65,650)
Other income not allocated to principal activities		**1,169**		2,126
Unallocated corporate expenses		**(4,932)**		(7,991)
Finance cost		**(9,067)**		(6,529)
Share of results of a jointly controlled entity (note)		**504**		(212)
Loss before taxation		**(64,723)**		(78,256)
Taxation		**(562)**		(219)
Loss for the year/period		**(65,285)**		(78,475)

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

Notes to the Consolidated Financial Statements

For the year ended 30th June, 2009

9. SEGMENT INFORMATION *(continued)*

(a) By activity *(continued)*

	Artiste management HK$'000	Event production HK$'000	Music production and distribution HK$'000	Film and television programme production, distribution and licensing HK$'000	Total HK$'000
Balance sheet as at 30th June, 2009					
ASSETS					
Segment assets	10,966	7,835	11,646	132,066	162,513
Interests in jointly controlled entities	2,268	–	–	2,713	4,981
Loan to a jointly controlled entity	–	–	–	10,817	10,817
Unallocated corporate assets					53,582
Consolidated total assets					231,893
LIABILITIES					
Segment liabilities	6,762	11,662	29,858	35,554	83,836
Unallocated corporate liabilities					193,972
Consolidated total liabilities					277,808
Other information for the year ended 30th June, 2009					
Depreciation of property, plant and equipment	330	20	350	415	1,115
Unallocated depreciation of property, plant and equipment					196
					1,311
Loss on disposal of property, plant and equipment	3	–	6	174	183
Unallocated loss on disposal of property, plant and equipment					3
					186
Additions to property, plant and equipment and film rights	12	1	23	34,409	34,445
Unallocated additions					14
					34,459
Allowance for bad and doubtful debts	–	750	150	75	975
Amortisation of film rights	–	–	–	85,685	85,685
Impairment loss on film rights	–	–	–	73,850	73,850
Impairment loss on loans to artistes	3,677	–	–	–	3,677
Impairment loss on prepaid artiste fees	5,211	–	–	–	5,211

Notes to the Consolidated Financial Statements

9. SEGMENT INFORMATION *(continued)*

(a) By activity *(continued)*

	Artiste management HK$'000	Event production HK$'000	Music production and distribution HK$'000	Film and television programme production, distribution and licensing HK$'000	Total HK$'000
Balance sheet as at 30th June, 2008					
ASSETS					
Segment assets	14,392	7,234	18,371	233,143	273,140
Interests in jointly controlled entities	2,270	–	–	1,976	4,246
Loan to a jointly controlled entity	–	–	–	3,044	3,044
Unallocated corporate assets					34,877
Consolidated total assets					315,307
LIABILITIES					
Segment liabilities	12,424	9,747	37,349	44,461	103,981
Unallocated corporate liabilities					193,538
Consolidated total liabilities					297,519
Other information for the period from 1st April, 2007 to 30th June, 2008					
Depreciation of property, plant and equipment	543	35	820	302	1,700
Unallocated depreciation of property, plant and equipment					519
					2,219
Gain on disposal of property, plant and equipment	10	1	23	–	34
Unallocated gain on disposal of property, plant and equipment					16
					50
Additions to property, plant and equipment and film rights	249	18	479	224,115	224,861
Unallocated additions					273
					225,134
Allowance for bad and doubtful debts	–	–	–	3	3
Amortisation of film rights	–	–	–	18,696	18,696
Impairment loss on film rights	–	–	–	70,396	70,396
Impairment loss on prepaid artiste fees	1,991	–	–	–	1,991

Notes to the Consolidated Financial Statements

For the year ended 30th June, 2009

9. SEGMENT INFORMATION *(continued)*

(b) By geographical market

	Revenue	
	1.7.2008 to 30.6.2009	1.4.2007 to 30.6.2008
	HK$'000	HK$'000
Greater China		
– Hong Kong	**90,578**	78,550
– Mainland China	**37,168**	37,488
– Taiwan	**2,685**	5,206
Japan	**10,860**	1,235
Other Asian countries (note)	**35,908**	14,052
North America	**6,791**	4,563
European countries	**11,733**	1,259
Other areas	**8,771**	13,876
	204,494	156,229

Note: The amount included revenue generated from licensing of film rights to several Asian countries mainly including Brunei, Indonesia, Korea, Malaysia, Philippines, Singapore and Thailand.

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and film rights, analysed by the geographical area in which the assets are located.

	Carrying amount of segment assets		Additions to property, plant and equipment and film rights	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Greater China				
– Hong Kong	**113,891**	153,715	**20,780**	141,701
– Mainland China	**25,361**	18,191	**11,545**	15,774
– Taiwan	**25**	44	**–**	–
Other Asian countries	**14,426**	76,127	**2,120**	43,986
Ireland	**8,810**	25,063	**–**	23,400
	162,513	273,140	**34,445**	224,861

Notes to the Consolidated Financial Statements

10. FINANCE COST

The amount represents interest on the amount due to the immediate holding company/former ultimate holding company.

11. WINDING UP OF A SUBSIDIARY

On 17th June, 2008, a non-wholly owned subsidiary of the Group, 星力無限（北京）文化發展有限公司, was voluntarily wound up. The net assets of this subsidiary at the date of winding up were as follows:

	17.6.2008 HK$'000
Intercompany debts	610
Translation reserve realised	(73)
	537
Minority interests	(244)
Waiver of intercompany debts by the subsidiary	(610)
Gain on winding up of a subsidiary	317
	–

The subsidiary wound up in the prior period did not have significant contribution to the Group's revenue and operating results for that period.

12. LOSS BEFORE TAXATION

	1.7.2008 to 30.6.2009 HK$'000	1.4.2007 to 30.6.2008 HK$'000
Loss before taxation has been arrived at after charging:		
Directors' emoluments (note 13(a))	**3,982**	4,990
Retirement benefit scheme contributions for other staff	**869**	1,793
Other staff costs	**37,586**	53,661
Total staff costs	**42,437**	60,444
Allowance for bad and doubtful debts	**975**	3
Amortisation of film rights (included in cost of film and television programme production and distribution)	**85,685**	18,696
Auditor's remuneration		
– current year/period	**1,984**	2,610
– (over)underprovision in prior years	**(378)**	86
Cost of inventories recognised as expense	**10,767**	23,232
Depreciation of property, plant and equipment	**1,311**	2,219
Impairment loss on film rights recognised (included in cost of film and television programme production and distribution)	**73,850**	70,396
Impairment loss on loans to artistes (included in selling and distribution costs)	**3,677**	–
Impairment loss on prepaid artiste fees (included in selling and distribution costs)	**5,211**	1,991
Imputed interest on initial recognition of interest-free loans to artistes (included in selling and distribution costs)	**–**	207
Loss on disposal of property, plant and equipment	**186**	–
Operating lease rentals in respect of rented premises	**5,927**	5,891
Operating lease rentals in respect of broadcasting service	**540**	1,030
and after crediting:		
Imputed interest income on interest-free loans to artistes and staff	**602**	1,242
Interest income from		
– bank deposits	**73**	417
– loans to artistes	**356**	452
– others	**138**	–
Total interest income	**1,169**	2,111
Gain on disposal of property, plant and equipment	**–**	50

Notes to the Consolidated Financial Statements

For the year ended 30th June, 2009

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors

The emoluments paid or payable to each of the seven (2008: seven) directors were as follows:

	Mr. Wong Chi Fai HK$'000	Ms. Fan Man Seung, Vanessa HK$'000	Mr. Ng Sui Wan (alias Ng Yu) HK$'000	Ms. Luk Siu Man, Semon (Chairperson) HK$'000	Mr. Wong Ching Yue HK$'000	Mr. Chu Kar Wing HK$'000	Mr. Wong Tak Ming, Gary HK$'000	1.7.2008 to 30.6.2009 Total HK$'000
Fees	**101**	**101**	**101**	**–**	**194**	**194**	**194**	**885**
Other emoluments								
Salaries and other benefits	**–**	**–**	**2,950**	**–**	**–**	**–**	**–**	**2,950**
Contributions to retirement benefit schemes	**–**	**–**	**147**	**–**	**–**	**–**	**–**	**147**
	101	**101**	**3,198**	**–**	**194**	**194**	**194**	**3,982**

	Mr. Wong Chi Fai HK$'000	Ms. Fan Man Seung, Vanessa HK$'000	Mr. Ng Sui Wan (alias Ng Yu) HK$'000	Ms. Luk Siu Man, Semon (Chairperson) HK$'000	Mr. Wong Ching Yue HK$'000	Mr. Chu Kar Wing HK$'000	Mr. Wong Tak Ming, Gary HK$'000	1.4.2007 to 30.6.2008 Total HK$'000
Fees	125	125	125	–	125	125	125	750
Other emoluments								
Salaries and other benefits	–	–	3,750	–	–	–	–	3,750
Contributions to retirement benefit schemes	–	–	200	–	–	–	–	200
Performance related incentive payment (Note)	–	40	250	–	–	–	–	290
	125	165	4,325	–	125	125	125	4,990

Note: The performance related incentive payment was determined with reference to the operating results, individual performance and comparable market statistics for the period from 1st April, 2007 to 30th June, 2008.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

(b) Employees

During the year/period, the five highest paid individuals included one director (2008: one director). The total emoluments of the remaining four (2008: four) highest paid individuals were as follows:

	1.7.2008 to 30.6.2009 HK$'000	1.4.2007 to 30.6.2008 HK$'000
Salaries and other benefits	**6,018**	11,031
Bonuses	–	725
Retirement benefit scheme contributions	**162**	358
	6,180	12,114

	Number of individuals	
	1.7.2008 to 30.6.2009	1.4.2007 to 30.6.2008
Emoluments of the employees were within the following bands:		
Nil – HK$1,000,000	**1**	–
HK$1,000,001 – HK$1,500,000	**1**	–
HK$1,500,001 – HK$2,000,000	**1**	2
HK$2,000,001 – HK$3,000,000	**1**	1
HK$3,000,001 – HK$4,000,000	–	1

During the year/period, no emoluments were paid by the Group to the five highest paid individuals of the Group (including directors) as an inducement to join or upon joining the Group or as compensation for loss of office. No director waived any emoluments during the year/period.

Notes to the Consolidated Financial Statements

For the year ended 30th June, 2009

14. TAXATION

	1.7.2008 to 30.6.2009 HK$'000	1.4.2007 to 30.6.2008 HK$'000
The (credit) charge comprises:		
Hong Kong Profits Tax		
Current year/period	**–**	207
(Over)underprovision in prior years	**(6)**	12
	(6)	219
Taxation arising in other jurisdiction		
Current year/period	**568**	–
	562	219

Hong Kong Profits Tax is calculated at 16.5% (2008: 2007/08: 17.5% and 2008/09: 16.5%) of the estimated assessable profit for the period covering the year of assessment 2009/10 (2008: 2007/08 and 2008/09 respectively). On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which included the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008/09. The effect of such decrease had been reflected in measuring the taxation for the period from 1st April, 2007 to 30th June, 2008.

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

Notes to the Consolidated Financial Statements

14. TAXATION *(continued)*

The taxation charge for the year/period can be reconciled to the loss before taxation per the consolidated income statement as follows:

	1.7.2008 to 30.6.2009 HK$'000	1.4.2007 to 30.6.2008 HK$'000
Loss before taxation	**(64,723)**	(78,256)
Tax credit of Hong Kong Profits Tax at 16.5% (2008: 16.5%)	**(10,679)**	(12,912)
Tax effect of expenses not deductible for tax purpose	**9,073**	6,614
Tax effect of income not taxable for tax purpose	**(3,542)**	(4,036)
Tax effect of tax losses not recognised	**8,537**	12,999
Tax effect of utilisation of tax losses previously not recognised	**(2,255)**	(1,983)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(441)**	(429)
(Over)underprovision in prior years	**(6)**	12
Others	**(125)**	(46)
Taxation charge for the year/period	**562**	219

As at 30th June, 2009, the Group has unused tax losses of HK$296,897,000 (2008: HK$258,824,000) available for offset against future profits. No deferred taxation asset has been recognised due to the unpredictability of future profit streams. The losses may be carried forward indefinitely. There were no other significant temporary differences arising during the year/period or at the balance sheet date.

15. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to equity holders of the Company of HK$65,285,000 (2008: HK$78,469,000) and the 260,000,000 shares in issue during the year/period.

Diluted loss per share has not been presented as the Company had no dilutive potential ordinary shares for the year/period.

Notes to the Consolidated Financial Statements

For the year ended 30th June, 2009

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Computer equipment	Furniture and fixtures	Office equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1st April, 2007	4,263	4,156	1,722	1,728	1,682	13,551
Currency realignment	–	31	3	15	54	103
Additions	420	990	63	184	–	1,657
Disposals	(3)	(211)	(40)	(73)	(449)	(776)
At 30th June, 2008	4,680	4,966	1,748	1,854	1,287	14,535
Currency realignment	–	1	–	–	(1)	–
Additions	1,137	154	15	7	–	1,313
Disposals	(1,069)	(154)	(61)	(36)	–	(1,320)
At 30th June, 2009	**4,748**	**4,967**	**1,702**	**1,825**	**1,286**	**14,528**
DEPRECIATION						
At 1st April, 2007	3,513	3,585	1,406	1,327	1,012	10,843
Currency realignment	1	26	1	10	19	57
Provided for the period	845	737	142	178	317	2,219
Eliminated on disposal	(2)	(211)	(31)	(71)	(449)	(764)
At 30th June, 2008	4,357	4,137	1,518	1,444	899	12,355
Currency realignment	–	–	–	–	–	–
Provided for the year	333	536	87	136	219	1,311
Eliminated on disposal	(896)	(152)	(50)	(34)	–	(1,132)
At 30th June, 2009	**3,794**	**4,521**	**1,555**	**1,546**	**1,118**	**12,534**
CARRYING VALUES						
At 30th June, 2009	**954**	**446**	**147**	**279**	**168**	**1,994**
At 30th June, 2008	323	829	230	410	388	2,180

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Leasehold improvements	Over the shorter of unexpired lease term or 20%
Computer equipment	33 1/3%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES

As at 30th June, 2009 and 2008, the Group had interests in the following jointly controlled entities:

Name of entity	Place of incorporation or registration/ operation	Issued and fully paid share/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group		Principal activities
			2009	2008	
上海上影英皇文化發展有限公司	Mainland China	Capital contribution – HK$5,000,000	**50%**	50%	Distribution of film and television programme rights
北京博納英龍演藝經紀有限公司	Mainland China	Capital contribution – RMB5,000,000	**40%**	40%	Artiste management
Wisdom Sea Group Limited	British Virgin Islands	Ordinary – US$10	**40%**	40%	Investment holding

Notes to the Consolidated Financial Statements

For the year ended 30th June, 2009

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

	2009	2008
	HK$'000	HK$'000
Cost of unlisted investments in jointly controlled entities	**4,770**	4,770
Share of post-acquisition losses	**(85)**	(589)
Share of translation reserve	**296**	65
	4,981	4,246

The summarised financial information in respect of the Group's share of interests in jointly controlled entities which is accounted for using the equity method is set out below:

	2009	2008
	HK$'000	HK$'000
Non-current assets	**11,465**	2,545
Current assets	**12,990**	8,273
Current liabilities	**19,474**	6,572
Income	**5,474**	1,966
Expenses	**4,970**	2,178

18. PREPAYMENTS AND OTHER RECEIVABLES

	2009	2008
	HK$'000	HK$'000
Prepaid artiste fees (note (a))	**4,398**	6,940
Loans to artistes (note (b))	**12,187**	11,814
Other prepayments (note (c))	**50,532**	28,293
Other receivables	**2,855**	3,116
	69,972	50,163
The amount of prepayments and other receivables is analysed for reporting purpose as follows:		
Non-current portion	**10,933**	9,955
Current portion	**59,039**	40,208
	69,972	50,163

18. PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

Notes:

(a) The amount of prepaid artiste fees that is expected to be recouped within twelve months from the balance sheet date is classified as current asset. The remaining balance is classified as non-current asset. Should the directors of the Company consider that the future recoupable amount of a particular artiste is less than the balance of the artiste fees prepaid to that artiste, the extent of shortfall will be charged to the consolidated income statement immediately. The amount of prepaid artiste fees at the balance sheet date is analysed for reporting purpose as follows:

	2009	2008
	HK$'000	HK$'000
Non-current portion	**1,181**	2,669
Current portion	**3,217**	4,271
	4,398	6,940

(b) The loans to artistes include an amount of HK$8,190,000 (2008: Nil) which is secured, bears prevailing market interest rates ranging from 4% to 4.25% per annum (2008: Nil) and has fixed repayment term and an amount of HK$396,000 (2008: HK$2,670,000) which is unsecured, bears prevailing market interest rates ranging from 5% to 5.25% (2008: 5.25% to 8%) per annum and is repayable by fixed monthly instalment with reference to the terms of respective agreements. Other amounts are unsecured, interest-free and have no fixed repayment term. The amount of loans to artistes that is expected to be repaid within twelve months from the balance sheet date is classified as current asset. The remaining balance is classified as non-current asset. Effective interest rate of the interest-free loans to artistes is 2009: 10% (2008: 10%) per annum. The amount of the loans to artistes at the balance sheet date is analysed for reporting purpose as follows:

	2009	2008
	HK$'000	HK$'000
Non-current portion	**9,752**	7,286
Current portion	**2,435**	4,528
	12,187	11,814

Included in the loans to artistes is an impairment loss of HK$3,677,000 (2008: Nil) in relation to individually impaired loans that are not expected to be recovered.

(c) Other prepayments mainly represent upfront payments for film productions, prepaid event production costs and prepaid administrative expenses.

Notes to the Consolidated Financial Statements

19. FILM RIGHTS

	HK$'000
COST	
At 1st April, 2007	578,239
Additions	223,477
At 30th June, 2008	801,716
Additions	33,146
At 30th June, 2009	**834,862**
AMORTISATION AND IMPAIRMENT	
At 1st April, 2007	523,115
Provided for the period	18,696
Impairment loss recognised in the period	70,396
At 30th June, 2008	612,207
Provided for the year	85,685
Impairment loss recognised in the year	73,850
At 30th June, 2009	**771,742**
CARRYING VALUES	
At 30th June, 2009	**63,120**
At 30th June, 2008	189,509

During the year/period, in light of the circumstances of film industry, the Group undertook a review of its library of film rights to assess the marketability of respective film rights and the corresponding recoverable amounts. The directors of the Company determined that a number of these film rights were impaired due to worsen marketability of respective film rights. The recoverable amount of the relevant assets have been determined on the basis of the present value of expected future revenue net of the relevant expenses arising from distribution and licensing of distribution rights of each of the films, by reference to the recent market information of the film industry. The carrying amount of certain of the film rights amounting to HK$73,850,000 (2008: HK$70,396,000) was written off to the consolidated income statement.

Notes to the Consolidated Financial Statements

For the year ended 30th June, 2009

20. INVENTORIES AND RECORD MASTERS

	2009 HK$'000	2008 HK$'000
Record masters	**2,587**	1,857
Finished goods	**115**	–
	2,702	1,857

21. TRADE RECEIVABLES

The Group allows credit periods of up to 60 days to its trade customers. Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$9,237,000 (2008: HK$9,853,000) which are past due at the balance sheet date for which the Group has not provided for impairment loss. Based on the repayment pattern of the customers of the Group, debtors which are past due but not impaired are expected to be recoverable. The management closely monitors the credit quality of debtors and considers the debtors that are neither past due nor impaired to be of a good credit quality. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables net of allowance for bad and doubtful debts at the balance sheet date:

	2009 HK$'000	2008 HK$'000
Current	**17,782**	21,768
Overdue		
0 – 30 days	**1,018**	4,896
31 – 60 days	**3,217**	1,246
61 – 90 days	**958**	268
over 90 days	**4,044**	3,443
	9,237	9,853
	27,019	31,621

Notes to the Consolidated Financial Statements

For the year ended 30th June, 2009

21. TRADE RECEIVABLES *(continued)*

Movement in the allowance for bad and doubtful debts

	2009 **HK$'000**	2008 HK$'000
Balance at beginning of the year/period	**3,217**	3,145
Currency realignment	**13**	69
Impairment losses recognised	**975**	3
Amounts written off	**(1,280)**	–
Balance at end of the year/period	**2,925**	3,217

Allowance for bad and doubtful debts are debtors which are either aged over 1 year or individually impaired that have been placed under liquidation or in severe financial difficulties, which are generally not recoverable based on the historical experience. The Group does not hold any collateral over these balances.

22. LOAN TO A JOINTLY CONTROLLED ENTITY

The amount is unsecured, interest-free and repayable within the next twelve months from the balance sheet date.

23. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of seven days at prevailing market interests rates ranging from 0.01% to 0.72% (2008: 2.5% to 2.6%) per annum.

24. TRADE PAYABLES

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

	2009 **HK$'000**	2008 HK$'000
Current	**7,209**	5,952
Overdue		
0 – 30 days	**3,479**	3,185
31 – 60 days	**726**	1,591
61 – 90 days	**1,429**	1,836
over 90 days	**7,675**	7,932
	20,518	20,496

Notes to the Consolidated Financial Statements

For the year ended 30th June, 2009

25. OTHER PAYABLES AND ACCRUED CHARGES

	2009	2008
	HK$'000	HK$'000
Deposits from customers	**28,809**	48,137
Accrued charges	**19,908**	18,305
Artiste payables	**7,055**	7,685
Others	**9,727**	12,918
	65,499	87,045

26. AMOUNT DUE TO THE IMMEDIATE HOLDING COMPANY/FORMER ULTIMATE HOLDING COMPANY

The amount is unsecured and bears interest at prime rate ranged from 5% to 5.25% (2008: 5.25% to 7.75%) per annum. The carrying amount of HK$189,223,000 (2008: HK$68,332,000) is due for settlement after next twelve months from the balance sheet date, and accordingly, such amount is classified as non-current. The remaining balance of HK$119,495,000 in 2008 (2009: Nil) was repayable on demand. The Group has obtained the financial support from the immediate holding company, which committed to provide continuous financial support to the Group by providing adequate funds and agreed not to demand repayment of such amount at least the next twelve months from the balance sheet date or until the Group has the ability to repay the amount, whichever is the latter (Note 2).

27. LOAN FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY

At the balance sheet date, the loan from a minority shareholder of a subsidiary is unsecured, interest-free and repayable on demand. The minority shareholder is entitled to repayment only after its share of losses in the relevant subsidiary was made good.

28. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Shares of HK$0.01 each		
Authorised:		
At 1st April, 2007, 30th June, 2008 and 30th June, 2009	10,000,000,000	100,000
Issued and fully paid:		
At 1st April, 2007, 30th June, 2008 and 30th June, 2009	260,000,000	2,600

There were no changes in the Company's authorised, issued and fully paid share capital during the year/period.

Notes to the Consolidated Financial Statements

For the year ended 30th June, 2009

29. RESERVES

(a) The contributed surplus of the Group represents the difference between the aggregate of the nominal amount of the share capital and share premium of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition and the dividend paid in 2005.

(b) The special reserve of the Group represents advances of HK$75,000,000 from Questrel Holdings Limited ("Questrel"), a former substantial shareholder of the Company, which were waived by Questrel as part of the group reorganisation in November 2000.

30. RETIREMENT BENEFITS SCHEME

The Group operates a defined contribution retirement benefits scheme (the "ORSO Scheme") for employees joining the Group before 1st December, 2000. The assets of the ORSO Scheme are held separately from those of the Group in funds under the control of the independent trustees.

In light of the introduction of the Mandatory Provident Fund Scheme (the "MPF Scheme"), all the employees were granted a one-off option to elect to switch to the MPF Scheme or stay with the ORSO Scheme.

The cost charged to the consolidated income statement represented contributions payable to both schemes by the Group at rates specified in the rules of respective schemes. The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 7% of the employee's relevant payroll costs, depending on the length of service with the Group. The MPF Scheme is funded by monthly contributions from both employees and the Group at a rate of 5% of the relevant payroll costs or a maximum capped at HK$1,000.

Where there are employees who have elected to stay with the ORSO Scheme and leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group in future years are reduced by the amount of forfeited contributions. At the balance sheet date, the total amount of forfeited contributions of the ORSO Scheme, which arose upon employees leaving the ORSO Scheme and which was available to reduce the contributions payable by the Group in the future years was not significant.

31. ACQUISITION OF A SUBSIDIARY

On 31st December, 2007, the Group acquired 100% interests of 上海威通投資咨詢有限公司, which was inactive at the date of acquisition, from an independent third party for a cash consideration of HK$4,800,000. The acquisition was accounted for as acquisition of assets.

The net assets acquired in the transaction were as follows:

	Acquiree's carrying amount HK$'000
Net assets acquired:	
Bank balances and cash	2,694
Other receivable	2,153
Other payables	(47)
Total consideration	4,800
Total consideration satisfied by:	
Advance from ultimate holding company	4,800
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	2,694

The subsidiary had no significant impact on the Group's loss for the prior period from the date of acquisition to 30th June, 2008.

Notes to the Consolidated Financial Statements

32. 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:

	2009 HK$'000	2008 HK$'000
In respect of:		
Rented premises		
Within one year	**3,946**	5,187
In the second to fifth year inclusive	**576**	3,235
	4,522	8,422
Broadcasting service		
Within one year	**225**	540
In the second to third year inclusive	**–**	225
	225	765

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

33. OTHER COMMITMENTS

	2009 HK$'000	2008 HK$'000
Amounts contracted for but not provided in the consolidated financial statements in respect of:		
Artiste fees	**15,926**	6,382
Film production costs	**124,937**	64,776
	140,863	71,158

34. SHARE OPTION SCHEME

On 26th August, 2004, the shareholders of the Company approved the adoption of a share option scheme (the "Share Option Scheme") which became effective upon the listing committee of the Stock Exchange granted approval of listing of, and permission to deal in the shares to be issued under the scheme ("Approval"). The Approval was granted on 11th November, 2004 and the Share Option Scheme became effective pursuant to resolution of the directors of the Company on the same date. The Share Option Scheme is valid and effective for a period of ten years from 11th November, 2004. The purpose of the Share Option Scheme is to provide incentives or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest ("Invested Entity"). The Share Option Scheme permits the Company to grant options to any employee or proposed employee (whether full-time or part-time employee, including any executive director) and non-executive director (including independent non-executive directors) of the Company, its subsidiaries or any Invested Entity, any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholders or any participants who contribute to the development and growth of the Group or any Invested Entity. Under the Share Option Scheme, the subscription price for the shares will be a price determined by the directors of the Company, but shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant, which must be a trading day; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the grant; and (iii) the nominal value of a share. An offer for the grant of options must be accepted within 28 days from the date of the offer and a nominal consideration of HK$1 is payable on acceptance of the offer of options.

The total number of shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of total number of shares on the adoption date unless the shareholders approve to refresh the 10% limit. The overall limit in the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes shall not exceed 30% of the shares of the Company in issue from time to time.

Each grant of options to any director, chief executive, management shareholder or substantial shareholder of the Company, or any of their respective associates, shall be subject to approval by the independent non-executive directors of the Company. Where any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares of the Company issued and to be issued upon exercise of all options already granted or to be granted to such person in the 12-month period representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000, such further grant of options must be approved by the shareholders with the connected persons of the Company abstaining from voting.

Subject to the aforesaid, the total number of shares issued and to be issued upon exercise of the options granted and to be granted to each grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue. Any further grant of options in excess of the limit shall be subject to the shareholders' approval with such grantee abstaining from voting in favour at such general meeting.

The Company had not granted any option under the Share Option Scheme since its adoption.

Notes to the Consolidated Financial Statements

For the year ended 30th June, 2009

35. CONTINGENT LIABILITIES

During the year/period, the Group was involved in legal proceedings in relation to alleged breach of engagement contracts involving the Group's artistes. The outcomes 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.

In the prior period, the Group was also involved in a legal proceeding in relation to the validity and enforceability of the Group's agreements with one of its artistes. The litigation had been settled in the current year.

36. RELATED PARTY TRANSACTIONS

(a) During the year/period, the Group had transactions with related parties as follows:

	1.7.2008 to 30.6.2009 HK$'000	1.4.2007 to 30.6.2008 HK$'000
Transaction with the immediate holding company/former ultimate holding company		
Interest expense (note 1)	**9,067**	6,529
Transactions with related companies		
Distribution and promotion income (note 2)	**1,735**	4,029
Income from back office support services (including accounting and tax consultancy services) (note 3)	**60**	120
Income from sales of goods (note 3)	**420**	530
Sponsorship fee income (note 3)	**284**	400
Advertising and promotion expenses (note 3)	**184**	287
Car park rental expenses (note 3)	**120**	224
Corporate secretarial fee (note 3)	**173**	253
Operating lease rental expenses (note 2)	**4,039**	3,705
Professional fee (note 3)	**300**	75
Sharing of administrative expenses (note 3)	**3,473**	4,337

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

36. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes:

1. This transaction involved the payment of interest to the immediate holding company/former ultimate holding company, a connected person of the Company, which provided financial assistance to the Group on normal commercial terms and no security over the assets of the Group was granted in respect of the financial assistance. The transaction is an exempted continuing connected transaction fall under Chapter 20.65(4) of the GEM Listing Rules.

2. These transactions are continuing connected transactions as defined under Chapter 20.14 of the GEM Listing Rules, details of which are set out in the section headed "Directors' Interest in Contracts of Significance and Connected Transactions" of the Directors' Report.

3. These transactions are connected transactions exempted from reporting, announcement and independent shareholders' approval requirements under Chapter 20.31 of the GEM Listing Rules.

(b) Compensation of key management personnel

Remuneration paid to key management personnel include solely the directors of the Company as determined by the Remuneration Committee of the Company, details of which are disclosed in note 13(a).

Notes to the Consolidated Financial Statements

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company, all of which are limited liability companies, as at 30th June, 2008 and 30th June, 2009 are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share/registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company 2009	2008	Principal activities
Directly held					
Emperor Entertainment Group (China) Limited	British Virgin Islands/ Mainland China and Macau	Ordinary – US$1	**100%**	100%	Investment holding and distribution of films
Mile Oak Profits Limited	British Virgin Islands	Ordinary – US$6	**100%**	100%	Investment holding
Music Icon Entertainment Limited	British Virgin Islands	Ordinary – US$1	**100%**	100%	Investment holding
Indirectly held					
Artlanda Limited	Hong Kong	Ordinary – HK$2	**100%**	100%	Production of films and provision of agency services to group companies
EEG Music Publishing Limited	Hong Kong	Ordinary – HK$2	**100%**	100%	Licensing of musical works

Notes to the Consolidated Financial Statements

For the year ended 30th June, 2009

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share/registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company 2009	2008	Principal activities
Indirectly held (continued)					
Emperor Classic Films Company Limited	Hong Kong	Ordinary – HK$10	**100%**	100%	Production and distribution of films and performances and licensing of distribution rights
Emperor Connection Limited	Hong Kong	Ordinary – HK$2	**100%**	100%	Provision of paid television programmes and tenancy signing agency services to group companies
Emperor Dragon Movies Limited	Hong Kong	Ordinary – HK$2	**100%**	100%	Production and distribution of films and licensing of distribution rights
Emperor Entertainment Development Limited	Hong Kong	Ordinary – HK$200	**100%**	100%	Concert management and organisation
Emperor Entertainment Group (International) Limited	Mauritius	Ordinary – US$1,000	**100%**	100%	Licensing of musical and multimedia works
Emperor Entertainment Group (Taiwan) Limited	British Virgin Islands/ Taiwan	Ordinary – US$1	**100%**	100%	Licensing of musical and multimedia works
Emperor Entertainment (Hong Kong) Limited	Hong Kong	Ordinary – HK$10,000,000	**100%**	100%	Trading, distribution and production of audio-visual products and films, licensing of musical works, provision of management services to artistes, and concert management and organisation

Notes to the Consolidated Financial Statements

For the year ended 30th June, 2009

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share/registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company 2009	2008	Principal activities
Indirectly held (continued)					
Emperor Entertainment Limited	Hong Kong	Ordinary – HK$2	**100%**	100%	Investment holding
Emperor Motion Picture (HK) Limited	Hong Kong	Ordinary – HK$10,000	**100%**	100%	Investment holding, production and distribution of films, licensing of distribution rights and provision of management services to artistes
Emperor Motion Picture (International) Limited	British Virgin Islands/Japan and Macau	Ordinary – US$1	**100%**	100%	Production and distribution of films and licensing of distribution rights
Emperor Motion Picture Limited	Hong Kong	Ordinary – HK$2	**100%**	100%	Provision of film distribution services
Emperor Production Limited	Hong Kong	Ordinary – HK$2	**100%**	100%	Investment holding, concert management and organisation, and provision of event production services
Emperor Stage Limited	Hong Kong	Ordinary – HK$1	**100%**	100%	Event organisation
Golden Port Productions Limited	Ireland	Ordinary – Euro 4	**100%**	100%	Production and distribution of films, licensing of distribution rights, and provision of distribution services
Goldpeak Corporation Limited	Hong Kong	Ordinary – HK$2	**100%**	100%	Production and distribution of films and licensing of distribution rights

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share/registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company 2009	2008	Principal activities
Indirectly held (continued)					
Music Icon Records Limited	Hong Kong	Ordinary – HK$2	**100%**	100%	Trading and production of audio-visual products, licensing of musical works, provision of management services to artistes and concert management and organisation
Rex Films Productions Company Limited	Hong Kong	Ordinary – HK$2	**100%**	100%	Production and distribution of films and licensing of distribution rights
英皇星藝（北京）文化發展有限公司	Mainland China	Capital contribution – HK$5,000,000	**100%**	100%	Trading, distribution and production of audio-visual products and films, licensing of musical works, provision of management services to artistes, and concert management and organisation
上海威通投資咨詢有限公司	Mainland China	Capital contribution – RMB4,500,000	**100%**	100%	Investment holding

The above table lists the subsidiaries of the Company, which, in the opinion of the directors of the Company, principally affected the results and the assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries of the Company had issued debt securities at the end of the year/period.

Financial Summary

	Year ended 30th June, 2009 HK$'000	Period from 1st April, 2007 to 30th June, 2008 HK$'000	Year ended 31st March, 2007 HK$'000	2006 HK$'000	2005 HK$'000
RESULTS					
Revenue	**204,494**	156,229	183,915	196,917	245,137
(Loss) profit before taxation	**(64,723)**	(78,256)	20,068	(32,078)	17,882
Taxation	**(562)**	(219)	(2,976)	(2,383)	(8,675)
(Loss) profit for the year/period	**(65,285)**	(78,475)	17,092	(34,461)	9,207
Attributable to:					
Equity holders of the Company	**(65,285)**	(78,469)	17,280	(32,549)	10,689
Minority interests	**–**	(6)	(188)	(1,912)	(1,482)
	(65,285)	(78,475)	17,092	(34,461)	9,207

	At 30th June,		At 31st March,		
	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
ASSETS AND LIABILITIES					
Total assets	**231,893**	315,307	206,319	200,267	321,210
Total liabilities	**(277,808)**	(297,519)	(111,562)	(122,151)	(198,684)
Total equity	**(45,915)**	17,788	94,757	78,116	122,526
Attributable to:					
Equity holders of the Company	**(43,974)**	19,729	96,445	78,830	121,390
Minority interests	**(1,941)**	(1,941)	(1,688)	(714)	1,136
	(45,915)	17,788	94,757	78,116	122,526