



EMPEROR INTERNATIONAL HOLDINGS LIMITED

英皇集團（國際）有限公司*

(Incorporated in Bermuda with limited liability)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2002**

The board of directors (the “Board”) of Emperor International Holdings Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30th September, 2002 (the “Period”) together with comparative figures for the corresponding period in 2001 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Six months ended	
		30th September, 2002 (unaudited) <i>HK\$'000</i>	30th September, 2001 (unaudited and restated) <i>HK\$'000</i>
Turnover		369,196	321,512
Cost of sales		(198,375)	(163,545)
Direct operating expenses		(25,166)	(20,319)
Gross profit		145,655	137,648
Other operating income		24,102	28,518
Selling and marketing expenses		(13,271)	(18,325)
Administrative expenses		(75,823)	(99,398)
Amortisation of intangible assets		(2,671)	(20,402)
Amortisation of publishing library		(363)	—
Unrealised holding (loss) gain of trading securities		(3,559)	2,229
Impairment loss recognised in respect of intangible assets	3	(94,661)	—
Impairment loss recognised in respect of publishing library	4	(12,542)	—
Impairment loss recognised in respect of properties under development		—	(66,200)
Impairment loss recognised in respect of properties held for sale		—	(19,896)
Revaluation deficit on investment properties		—	(152,200)
Loss from operations	5	(33,133)	(208,026)
Finance costs		(12,349)	(35,633)
Amortisation of goodwill arising on acquisition of an associate		(3,094)	(578)
Gain on disposal of an associate		17,662	—
Share of results of associates	6	(317,602)	(11,678)
Loss before taxation		(348,516)	(255,915)
Taxation	7	(4,251)	(4,428)
Loss before minority interests		(352,767)	(260,343)
Minority interests		(1,553)	12,300
Loss attributable to shareholders		(354,320)	(248,043)
Loss per share – basic	8	(41.0) cents	(28.7) cents

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities.

2. Segment information

The Group has determined that business segments be presented as the primary reporting format and an analysis of the Group’s business segment information is as follows:

	Segment revenue		Segment result	
	Six months ended		Six months ended	
	30th September, 2002	30th September, 2001	30th September, 2002	30th September, 2001
	(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Business segments				
Lease of properties	49,541	52,435	44,442	(148,540)
Sale of properties	56,804	130,576	20,883	(38,525)
Printing and publishing	71,247	—	(20,626)	—
Securities brokerage services	18,440	37,219	11,738	23,562
Wholesaling and retailing of furnitures	45,290	59,775	(1,228)	2,948
Hotel operations	21,289	23,189	(3,515)	(7,962)
Consultancy and advisory services	33,851	10,877	31,755	8,987
Securities trading	72,734	7,441	(4,652)	2,425
License of internet streaming rights	—	—	(92,400)	(17,857)
	<u>369,196</u>	<u>321,512</u>	<u>(13,603)</u>	<u>(174,962)</u>
Interest income			6,264	7,674
Interest expenses			(12,349)	(35,633)
Corporate general and administrative expenses			(25,794)	(40,738)
Amortisation of goodwill arising on acquisition of an associate – (Business segment: Others)			(3,094)	(578)
Gain on disposal of an associate – (Business segment: Others)			17,662	—
Share of results of associates – (Business segment: Sale of properties)			(306,212)	(2,438)
Share of result of an associate – (Business segment: Others)			(11,390)	(9,240)
Loss before taxation			<u>(348,516)</u>	<u>(255,915)</u>

3. Impairment loss recognised in respect of intangible assets

The amount mainly represents the impairment loss recognised in respect of internet streaming rights of approximately HK\$92,400,000, based on the directors' estimation on the net recoverable amount of the assets by reference to a valuation report prepared by an independent professional valuer and based on the projected future net income generated from the assets.

4. Impairment loss recognised in respect of publishing library

The impairment loss recognised is estimated by the directors based on an assessment of the net recoverable amount of the publishing library by reference to a valuation report prepared by an independent professional valuer and based on the estimated selling price or licence fee of the assets.

5. Loss from operations

Loss from operations for the Period has been arrived at after charging depreciation of approximately HK\$15,723,000 (2001: HK\$13,770,000) in respect of the Group's property, plant and equipment and crediting dividend income from listed securities of approximately HK\$33,000 (2001: HK\$79,000).

6. Share of results of associates

During the six months ended 30th September, 2002, an associate of the Group made an allowance for doubtful recovery of the amount due from an unconsolidated subsidiary in its income statement for the Period. The associate was informed by its lawyers in the People's Republic of China ("PRC") that an unauthorised registration had been filed with the relevant authority in the PRC pursuant to which the entire interest in a wholly owned subsidiary held by that unconsolidated subsidiary had already been transferred to a party unknown to the associate. Actions would be taken by the directors of the associate to contest against the aforesaid registration. As a result, the allowance for doubtful recovery of the amount due from an unconsolidated subsidiary in the associate shared by the Group during the Period was approximately HK\$308,314,000.

7. Taxation

	Six months ended 30th September, 2002 (unaudited) HK\$'000	Six months ended 30th September, 2001 (unaudited) HK\$'000
The charge comprises:		
Hong Kong Profits tax attributable to the Group	(4,065)	(4,084)
Share of taxation attributable to associates	(186)	(344)
	<u>(4,251)</u>	<u>(4,428)</u>

Hong Kong Profits Tax is calculated at 16% (2001: 16%) of the estimated assessable profit for both periods.

8. Loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of approximately HK\$354,320,000 (2001: HK\$248,043,000) and on 863,293,521 shares in issue during both periods.

No disclosure of diluted loss per share figures is made as there were no dilutive potential shares outstanding during both periods.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the Period (2001: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

For the Period, the Group recorded a turnover of HK\$369 million, representing an increase of 15% from HK\$322 million for the previous corresponding period. The increase arose from the printing and publishing business which was newly acquired by the Group on 22nd July, 2002. The loss attributable to shareholders was HK\$354 million for the Period as compared with a loss of HK\$248 million for the last corresponding period. Such loss was mainly due to the sharing of losses of Emperor (China Concept) Investments Limited, the major associate of the Group.

OPERATION REVIEW

Property Development and Investment

Property development and investment remained the core businesses from which the Group derived steady income during the Period. All the remaining apartments of Tower II of South Bay Palace, a luxurious residential development in Repulse Bay, had been sold, bringing in a profit of HK\$22 million for the Period and a further profit in the second half of the financial year when the sale of the remaining apartments are completed. The construction works of two other residential developments at Chung Hom Kok and Tai Po had almost been completed and the occupation permits are expected to be issued shortly. The management anticipated the sale proceeds deriving from the sale of these two projects to bring positive contributions to the results of the Group in the coming periods. Construction work for the redevelopment of the Lido Complex, a development comprising shops, restaurants and arcades in Repulse Bay, is tentatively intended to commence in the year 2003.

Securities and Financial Services

During the Period, the securities and futures brokerage and advisory business contributed HK\$43 million to the Group's profits. The increase in contribution as compared with the last corresponding period was mainly due to the entering into of a joint venture agreement between the Group and a party in the PRC for the joint development of financial services business in the PRC. In order to improve business performance in Hong Kong, the management is considering the introduction of new investment products such as mutual funds, and seminars had also be organized in the PRC and Hong Kong with a view to enlarging the clientele of the operation.

Hotel and Furniture

The result of The Emperor (Happy Valley) Hotel improved with its losses being cut by approximately 56% as compared with that of the last corresponding period. The improvement was mainly due to the increase in the occupancy rate of the hotel.

During the Period, the furniture business of Ulferts recorded a slight loss as compared with a small profit in the last corresponding period, mainly as a result of the poor economy. In order to boost sales, the management has formulated plans to rejuvenate and modernize Ulferts' brand image, with elegant lifestyle as its running theme. The Taikoo Shing mega store, which was newly renovated as a pilot outlet, received favourable response. It offered trendy but affordable furniture with matching daily accessories. More outlets were scheduled to undergo renovation works in the coming months with the Hunghom showroom as its flagship mega store. The management expected the business to turn around following the renovation.

Emperor Technology Venture Limited (“ETV”)

ETV (now renamed as Matsunichi Communication Holdings Limited) is a Hong Kong listed company. On 10th June, 2002, the Group entered into a conditional agreement with Jade Forest Limited to dispose of the Group's entire interest in ETV at a cash consideration of approximately HK\$51.5 million. Completion of the agreement took place on 22nd July, 2002 and the Group recorded a gain of HK\$18 million during the Period.

Publishing and Printing

On 10th June, 2002, the Company also entered into an agreement with ETV, pursuant to which the Company agreed to acquire from ETV its publishing and printing arm. Completion of the agreement took place on 22nd July, 2002, and the publishing and printing business became one of the key factors in the overall performance of the Group. The publishing and printing business comprised the following:

A. *New Media Group*

During the Period, four magazines, namely Eastweek, Weekend Weekly, New Monday and Oriental Sunday, were operated under the New Media Group. Except for Eastweek, all the other three magazines generated profit for the Group during the Period. The Group's carrying value of the copyright, trademarks, intellectual property rights and publishing library were written off by HK\$16 million, of which HK\$14 million associated with Eastweek, during the Period. The publication of Eastweek was discontinued and all the staff were laid off subsequent to the Period in early November 2002. Apart from such writing off, the Group also expected a loss of not more than HK\$20 million in the second half of the financial year arising from the discontinuance of Eastweek.

B. *Hong Kong Daily News*

During the Period, the management worked hard to counter the cut-throat advertising packages launched by its competitors. The management would try to further strengthening the existing popular “Financial” and “Horse Racing” sections while at the same time continue to cautiously explore if new revenue streams could be opened up in other sectors.

C. *Economic Digest*

Economic Digest is an established financial weekly in Hong Kong. During the Period, the operation had diversified into book publishing, seminar and event organization and professional training with a view to broaden its income stream. Owing to the poor economic climate, the performance of the new business ventures had not been satisfactory and the management is formulating plans to restructure its business activities and implement tight cost control measures.

D. *Hong Kong Daily Offset Printing*

Hong Kong Daily Offset Printing is the printing arm of the Group. During the Period, it managed to record a slight profit despite the keen competition.

Emperor (China Concept) Investments Limited (“ECC”)

ECC is a Hong Kong listed company and is held as to 49.16% by the Company. ECC mainly engaged in property investment and development in the PRC. During the Period, a loss of HK\$625 million was recorded as compared with a loss of HK\$9 million for the last corresponding period.

The loss was mainly attributable to the writing off of ECC’s investment in the Beijing Peony Garden project. ECC acquired 80% interest in Peony Garden, the hotel and service apartment development in Beijing, through its acquisition of 80% equity interest in Canlibol Holdings Limited (“Canlibol”), the holding company of Beijing Peony Garden Apartment House Co. Ltd. (“Beijing Peony”), the registered owner of Peony Garden in November 1997. The local management of Beijing Peony had not been cooperative with ECC. ECC had retained PRC lawyers with a view to exerting management control over Beijing Peony. ECC had recently been informed by the PRC lawyers that according to the records of 工商行政管理局, the interest of Canlibol in Beijing Peony was transferred to a third party in August 2001 without the knowledge of ECC. ECC was taking legal opinion with a view to recovering ECC’s interest in Peony Garden. In view of the unauthorised transfer of interest in Beijing Peony, ECC had made an allowance of HK\$627 million during the Period.

About 77.6% of the total residential units of Tower 1 and Tower 2, Phase I of Riverside Garden, Xiamen had been sold as at the end of the Period. Turnover arising from the sale of properties for the Period was reduced by 8.1% as compared with the last corresponding period.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 30th September, 2002, the total external borrowings (excluding intra-group liabilities, trade payables and accruals, bills payable and tax liabilities) amounted to approximately HK\$1,028 million and the Group maintained a debt to equity ratio of 43% (measured by total external borrowings as a percentage to the net asset value of the Group). In addition to its share capital and reserves, the Group continued to make use of cash flow generated from operation, bank borrowings and unsecured loans from a shareholder to finance its operations. The Group's bank borrowings were mainly denominated in Hong Kong Dollars and interest rates followed the market rates and no material exposure to fluctuations in exchange rates was expected. The Group had contingent liabilities in respect of the guarantees given by the Group to banks as security for banking facilities granted to independent third parties and as at the end of the Period, the total amount of facilities utilized was HK\$31 million.

STAFF COSTS

The total cost incurred for staff, including directors' remuneration, for the Period amounted to HK\$78 million as compared with HK\$58 million in the last corresponding period. The increase in staff costs was mainly due to the printing and publishing business which was acquired by the Group on 22nd July, 2002. The number of staff was approximately 1,200 as at the end of the Period. In early November 2002, approximately 160 staff were laid off due to the discontinuance of publication of Eastweek.

ASSETS PLEDGED

Assets with carrying value of HK\$2,590 million were pledged as security for banking facilities.

PROSPECTS

Economy remained slack subsequent to the Period. Most of the businesses of the Group were adversely affected by the depression which was likely to persist in the near future. While the management would continue to cautiously look for good investment opportunities for the Group, it would also review its various operations at the same time and implement cost cutting measures when appropriate to improve the competitiveness of its businesses.

PUBLICATION OF DETAILED INTERIM RESULTS ANNOUNCEMENT ON THE WEBSITE OF THE STOCK EXCHANGE

All information of the Group's results for the Period as required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

CORPORATE GOVERNANCE

The Company had complied throughout the Period with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

By Order of the Board
Luk Siu Man, Semon
Chairperson

Hong Kong, 20th December, 2002

** for identification only*

Please also refer to the publish version of this announcement in the Standard.