



# 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, 2003

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, 2003 (the "Period") together with comparative figures for the corresponding period in 2002 are as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30th September, 2003	30th September, 2002 (unaudited and restated)
	Notes	(unaudited) HK\$'000	HK\$'000
Turnover		713,752	369,196
Cost of sales		(516,685)	(198,375)
Direct operating expenses		(21,754)	(25,166)
Gross profit		175,313	145,655
Other operating income – net		20,938	20,180
Selling and marketing expenses		(48,462)	(13,271)
Administrative expenses		(87,995)	(74,353)
Amortisation of intangible assets		(2,746)	(2,671)
Gain on disposal of intangible asset		2,988	–
Revaluation surplus on investment properties		19,000	–
Impairment loss recognised in respect of properties under development		(19,060)	–
Impairment loss recognised in respect of motor vehicle registration mark		(1,300)	(1,470)
Impairment loss recognised in respect of intangible assets		–	(94,661)
Impairment loss recognised in respect of publishing library		–	(12,542)
Profit (Loss) from operations	4	58,676	(33,133)
Finance costs		(13,265)	(12,349)
Amortisation of goodwill arising on acquisition of an associate		–	(3,094)
Gain on disposal of an associate		–	17,662
Share of results of associates		(21)	(317,602)
Profit (Loss) before taxation		45,390	(348,516)
Taxation	5	(4,477)	(4,251)
Profit (Loss) before minority interests		40,913	(352,767)
Minority interests		1,413	(1,553)
Profit (Loss) attributable to shareholders		42,326	(354,320)
Earnings (Loss) per share – basic	6	HK\$0.49	HK\$(4.1)

#### NOTES TO THE CONDENSED FINANCIAL STATEMENTS

##### 1. BASIS OF PREPARATION

The condensed consolidated 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 ("Stock Exchange") and Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA").

**2. PRINCIPAL ACCOUNTING POLICIES**

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 March 2003, except for the adoption of SSAP 12 (Revised) "Income Taxes".

**Income Taxes**

In the Period, the Group has adopted SSAP 12 (Revised) "Income taxes" which is effective for accounting periods commencing on or after 1st January, 2003. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous periods, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. This change in accounting policy has no material effect for the prior accounting periods. Accordingly, no prior period adjustment has been required. The effect on the result for the Period is HK1,083,000 which is deducted from the profit.

**3. SEGMENT INFORMATION**

For management purpose, the Group is currently organised into eight operating divisions, namely, lease of properties, sales of properties, printing and publishing, securities brokerage services, wholesaling and retailing of furniture, hotel operations, consultancy and advisory services and sales of marine products. These divisions are the basis on which the Group reports its primary segment information.

	Segment revenue		Segment results	
	Six months ended		Six months ended	
	30th September, 2003 (unaudited) HK\$ '000	30th September, 2002 (unaudited) HK\$ '000	30th September, 2003 (unaudited) HK\$ '000	30th September, 2002 (unaudited) HK\$ '000
<b>Business segments</b>				
Lease of properties	38,682	49,541	48,483	44,442
Sale of properties	384,386	56,804	1,233	20,883
Printing and publishing	170,034	71,247	(3,359)	(20,626)
Securities brokerage services	29,225	18,440	14,357	11,738
Wholesaling and retailing of furniture	40,028	45,290	(8,370)	(1,228)
Hotel operations	15,590	21,289	(5,176)	(3,515)
Consultancy and advisory services	28,133	33,851	25,891	31,755
Sales of marine products	4,605	-	(325)	-
Others	3,069	-	7,844	-
Securities trading	-	72,734	-	(4,652)
	<u>713,752</u>	<u>369,196</u>	<u>80,578</u>	<u>78,797</u>
Interest income			809	6,264
Finance costs			(13,265)	(12,349)
Impairment loss of internet streaming rights			-	(92,400)
Corporate general and administrative expenses			(22,711)	(25,794)
Amortisation of goodwill arising on acquisition of an associate - (Business segment: Others)			-	(3,094)
Gain on disposal of an associate - (Business segment: Others)			-	17,662
Share of results of associates - (Business segment: Sale of properties)			(21)	(306,212)
Share of result of an associate - (Business segment: Others)			-	(11,390)
Profit (Loss) before taxation			<u>45,390</u>	<u>(348,516)</u>

**4. PROFIT (LOSS) FROM OPERATIONS**

Profit (Loss) from operations for the Period has been arrived at after charging depreciation of approximately HK\$26,138,000 (2002: HK\$15,723,000) in respect of the Group's property, plant and equipment and crediting dividend income from listed securities of approximately HK\$106,000 (2002: HK\$33,000).

**5. TAXATION**

	Six months ended	
	30th September, 2003 (unaudited) HK\$ '000	30th September, 2002 (unaudited) HK\$ '000
The charge comprises:		
Hong Kong Profits Tax attributable to the Group	(3,200)	(4,065)
Deferred taxation	(1,083)	-
Share of taxation attributable to associates	(4,283)	(4,065)
	<u>(4,477)</u>	<u>(4,251)</u>

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for both periods.

**6. EARNINGS (LOSS) PER SHARE**

The calculation of basic earnings (loss) per share is based on the profit attributable to shareholders of approximately HK\$42,326,000 (2002: Loss of HK\$354,320,000) and on 86,329,352 shares in issue during both periods, after adjusted for the 10 for 1 share consolidation effective on 31st March, 2003.

No disclosure of diluted earnings (loss) per share is presented as there were no dilutive potential shares outstanding during both periods.

## **INTERIM DIVIDEND**

The Directors did not recommend the payment of an interim dividend for the six months ended 30th September, 2003 (2002: nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

During the Period, the Group recorded a turnover of HK\$714 million, representing an increase of 93% from HK\$369 million for the previous corresponding period. The increase was mainly attributable to the sale of properties amounting to HK\$384 million as compared with HK\$57 million for the last corresponding period. Profit attributable to shareholders was HK\$42 million as compared with a loss of HK\$354 million which included the Group's share of loss of a major associate for the last corresponding period.

## **OPERATION REVIEW**

### **Hong Kong Property Development and Investment**

Property development and investment remained the core businesses from which the Group derived significant and steady income during the Period. All units in JC Castle, a residential development in Tai Po, had been sold, bringing in sale proceeds of HK\$376 million to the Group. The sale of Royal Bay, a residential development in Chung Hom Kok, was also satisfactory. Basement excavation and foundation works of the redevelopment site in Repulse Bay had commenced. Such works were expected to be completed by the end of next year.

### **PRC Property Development and Investment**

#### ***Riverside Garden, Xiamen***

Over 90% of the residential units of Phase I of the development had been sold as at the end of the Period. The project contributed over HK\$5 million to the Group's profit for the Period.

#### ***New Century Plaza, Chongqing***

The project was intended to comprise an integrated commercial, office and hotel complex. Shortly after the Period, a disposal agreement had been signed by the Group with a third party to dispose of the Group's interest in the development at a consideration equivalent to HK\$52 million, and a deposit equivalent to HK\$9 million had been received by the Group. Completion of the transaction was tentatively scheduled to take place around early next year when the balance payment would be received.

### **Brokerage and Financial Services**

During the Period, the securities and futures brokerage and financial businesses contributed HK\$40 million to the Group's profit as compared with a profit of HK\$43 million for the last corresponding period. With the recovery of Hong Kong's economy, the result for the whole financial year was expected to be improved.

### **Hotel and Furniture**

The hotel and the furniture businesses suffered losses as both industries were badly affected by SARS during the Period. As at the date of the report, the results from these two operations have improved with the gradual recovery of market conditions.

### **Publishing and Printing**

#### ***New Media Group***

Four magazines, namely Weekend Weekly, New Monday, Oriental Sunday and Economic Digest were operated under the New Media Group. Weekend Weekly and Oriental Sunday had generated satisfactory profit for the Group during the Period. Although a loss was recorded for Economic Digest, the management saw a substantive improvement as compared with the last corresponding period. New Monday suffered a slight loss during the Period as a result of the keen competition, but the management expected its performance to improve in the coming periods. There were plans to launch new publications in the near future to broaden the Group's income stream.

#### ***Hong Kong Daily News***

A loss was recorded during the Period as a result of the cut-throat advertising packages offered by its competitors. The management had been taking steps to strengthen its sales teams and improve its editorial and implement measures to enhance its circulation. The management would cautiously explore various means to improve its results.

#### ***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.

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

As at 30th September, 2003, the total external borrowings (excluding payables) amounted to approximately HK\$965 million and the Group had a debt to equity ratio of 46% (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 made use of cash flow generated from operations, bank borrowings and unsecured loans from a shareholder and related companies to finance its operations. The Group's bank borrowings were mainly denominated in Hong Kong Dollars and their interest rates followed the market rates. The Group's bank balances and cash were mostly denominated in Hong Kong dollars, with a minor portion of 13% denominated in Renminbi. The Group had no material exposure to fluctuations in exchange rates. Besides, the Group had contingent liabilities in respect of the guarantees given to banks as security in connection with (i) banking facilities granted to independent third parties and as at the end of the Period, the total amount of facilities utilized was HK\$26 million and (ii) mortgage loans granted to third parties totalling HK\$19 million.

### **STAFF COSTS**

The total cost incurred for staff including directors' emoluments amounted to HK\$114 million as compared with HK\$78 million in the last corresponding period. The increase was due to the inclusion of printing and publishing business acquired in July 2002. The number of staff was approximately 1,000 as at the end of the Period.

The Company adopted a new share option scheme ("Scheme") on 9th September, 2003 and terminated the previous share option scheme adopted on 17th December, 2001 as it followed the old Chapter 17 of the Listing Rules. The purpose of the Scheme was 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 were valuable to the Group or any entity in which the Group held an equity interest. No option had been granted since its adoption.

### **ASSETS PLEDGED**

Assets with carrying value of approximately HK\$2,080 million were pledged as security for banking facilities.

### **PROSPECTS**

As at the date of this report, most of the businesses of the Group had recovered from the sluggish economic conditions after SARS, following an upsurge in consumers' demand. The management would continue to take steps to strengthen its market share and improve the performance of its various businesses.

### **FULL DETAILS OF FINANCIAL INFORMATION**

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.

By Order of the Board  
**Luk Siu Man, Semon**  
*Chairperson*

Hong Kong, 19th December, 2003

*\* for identification only*

Please also refer to the published version of this announcement in The Standard dated on 22-12-2003.