



EMPEROR INTERNATIONAL HOLDINGS LIMITED
英皇集團（國際）有限公司*

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31ST MARCH, 2003

RESULTS

The board of directors (“Board”) of Emperor International Holdings Limited (the “Company”) announces that the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31st March, 2003 together with comparative figures for the corresponding year in 2002 are as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31st March,	
		2003	2002
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover		660,548	651,980
Cost of Sales		(337,175)	(298,208)
Direct operating expenses		(43,601)	(51,116)
Gross profit		279,772	302,656
Other operating income – net		30,019	43,888
Selling and marketing expenses		(48,529)	(24,355)
Administrative expenses		(172,075)	(171,293)
Deficit on revaluation of investment properties		(204,475)	(209,419)
Impairment loss of properties and other assets recognised	3	(219,216)	(130,762)
Loss from operations	4	(334,504)	(189,285)
Finance costs		(24,910)	(49,564)
Loss on disposal of associates		(39,950)	—
Amortisation of goodwill arising on acquisition of an associate		(3,094)	(578)
Share of results of associates	5	(309,932)	(55,917)
Loss before taxation		(712,390)	(295,344)
Taxation (charge) credit	6	(2,004)	30,921
Loss before minority interests		(714,394)	(264,423)
Minority interests		8,524	9,265
Loss attributable to shareholders		(705,870)	(255,158)
Loss per share – basic	7	HK\$(8.18)	HK\$(2.96)

Notes:

1. Basis of preparation

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and investments in securities, and in accordance with accounting principles generally accepted in Hong Kong.

2. Segment Information

For management purposes, 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, sales of marine products and consultancy and advisory services. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these business activities for the year ended 31st March, 2003 is presented below.

	Lease of properties HK\$'000	Sales of properties HK\$'000	Printing and publishing HK\$'000	Securities brokerage services HK\$'000	Wholesaling and retailing of furniture HK\$'000	Hotel operations HK\$'000	Sales of marine products HK\$'000	Consultancy and advisory services HK\$'000	Others HK\$'000	Consolidated HK\$'000
INCOME STATEMENT										
Turnover										
External sales	91,118	77,960	237,440	52,533	90,922	42,014	27,591	40,951	19	660,548
Result										
Segment results	(157,966)	42,178	(52,575)	29,185	(4,599)	(7,731)	1,416	32,239	(184,242)	(302,095)
Interest income										11,305
Unallocated corporate expenses										(43,714)
Loss from operations										(334,504)
Finance costs										(24,910)
Loss on disposal of associates										(39,950)
Amortisation of goodwill arising on acquisition of an associate										(3,094)
Share of results of associates	—	(298,540)	—	—	—	—	—	—	(11,392)	(309,932)
Loss before taxation										(712,390)
Taxation charge										(2,004)
Loss before minority interests										(714,394)

Segment information about these business activities for the year ended 31st March, 2002 is presented below.

	Lease of properties <i>HK\$'000</i>	Sales of properties <i>HK\$'000</i>	Securities brokerage services <i>HK\$'000</i>	Wholesaling and retailing of furniture <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Consultancy and advisory services <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
INCOME STATEMENT								
Turnover								
External sales	<u>106,827</u>	<u>278,562</u>	<u>78,786</u>	<u>111,493</u>	<u>46,485</u>	<u>21,059</u>	<u>8,768</u>	<u>651,980</u>
Result								
Segment results	<u>(143,529)</u>	<u>12,556</u>	<u>39,622</u>	<u>2,098</u>	<u>(5,092)</u>	<u>12,084</u>	<u>(53,958)</u>	<u>(136,219)</u>
Interest income								13,316
Unallocated corporate expenses								<u>(66,382)</u>
Loss from operations								(189,285)
Finance costs								(49,564)
Amortisation of goodwill arising on acquisition of an associate								(578)
Share of results of associates	—	(13,903)	—	—	—	—	(42,014)	<u>(55,917)</u>
Loss before taxation								(295,344)
Taxation credit								<u>30,921</u>
Loss before minority interests								<u>(264,423)</u>

Revenue and results of the Group are substantially derived in Hong Kong, and therefore, no analysis of geographical segments has been presented.

3. Impairment loss of properties and other assets recognised

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Impairment loss reversed (recognised) in respect of:		
Internet streaming rights	(180,000)	(70,000)
Motor vehicle registration marks	(1,470)	—
Properties held for sale	12,015	(3,646)
Properties under development	(33,437)	(57,116)
Publishing library	(16,324)	—
	<u>(219,216)</u>	<u>(130,762)</u>

4. Loss from operations

Loss from operations for the year has been arrived at after charging depreciation and amortisation of approximately HK\$46,375,000 (2002: HK\$31,438,000) in respect of the Group's property, plant and equipment, publishing library and intangible assets.

5. Share of results of associates

For the year ended 31st March, 2003, an associate of the Group made an allowance for doubtful recovery of the amount due from an unconsolidated subsidiary in its income statement. 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 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 attributable to the Group for the year was approximately HK\$308,315,000.

6. Taxation (charge) credit

	Year ended 31st March,	
	2003	2002
	HK\$'000	HK\$'000
The (charge) credit comprises:		
Hong Kong Profits tax calculated at 16% (2002: 16%) of the estimated assessable profit		
– current year	(6,523)	(10,032)
– overprovision in prior years	4,524	41,357
	<u>(1,999)</u>	<u>31,325</u>
Deferred taxation	267	37
Share of net taxation charge of associates	<u>(272)</u>	<u>(441)</u>
	<u><u>(2,004)</u></u>	<u><u>30,921</u></u>

7. Loss per share

The calculation of the basic loss per share is based on the Group's consolidated loss attributable to shareholders of approximately HK\$705,870,000 (2002: consolidated loss of HK\$255,158,000) and on 86,329,352 ordinary shares (2002: 86,329,352 ordinary shares adjusted to take into account the effect of the 10 to 1 share consolidation effective on 31st March, 2003) in issue.

No disclosure of diluted loss per share was presented for both years as there were no dilutive potential ordinary shares in issue in either year.

DIVIDEND

The Board did not recommend the payment of a dividend for the year ended 31st March, 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Despite the very difficult economic conditions, turnover of the Group slightly increased from HK\$652 million last year to HK\$661 million for the year under review.

Results attributable to shareholders, however, recorded a loss of HK\$706 million as compared with a loss of HK\$255 million last year. The loss mainly arose from loss incurred by an associate of the Group, devaluation of properties and impairment of internet streaming right value.

OPERATION REVIEW

Property Development and Investment

Property development is the core business of the Group from which steady and significant income was derived. All the remaining units of Tower II of South Bay Palace, a luxurious residential development in Repulse Bay, had been sold, bringing in a profit of HK\$31 million for the year under review. The construction works of (1) JC Castle, a residential development in Tai Po, and (2) Royal Bay, another residential development in Chung Hom Kok were both completed and occupation permits were issued. The management expected the sale proceeds from these 2 projects to bring positive contribution to the results of the Group in the coming year. As at the date of this report, 70% of the total units of JC Castle had been sold at a total consideration of HK\$252 million. Construction works for the redevelopment of the Lido complex, a development comprising restaurants and shopping arcades in Repulse Bay, were scheduled to commence around August 2003.

Financial Services

Contribution derived from the securities and futures brokerage and margin financing business dropped by 26% as compared with last year as a result of a less active financial market. The management had been working on the recruitment of new marketing teams, strengthening the existing human resources, introduction of new investment products and the extension of the Group's financial services business to the bigger PRC market through seminars and joint venture with PRC partners.

Hotel and Furniture

Both the hotel and the furniture business suffered as a result of the continuing economic depression. The loss incurred by The Emperor (Happy Valley) Hotel increased slightly for the year. Cost-cutting measures had been implemented to counter the adverse economic condition. The furniture business of Ulferts also suffered setback and recorded a loss for the year. In order to boost the sales of Ulferts, shops were renovated with a young and modern image and new lines of products were sourced and introduced to suit different market segments.

Matsunichi Communication Holdings Limited (“Matsunichi”)

During the year in July 2002, the Group disposed of its entire interest in Matsunichi (previously known as Emperor Technology Venture Limited) at a profit. Matsunichi is a listed company and had operated at a loss prior to the disposal.

Publishing and Printing

Contemporaneous with the disposal of Matsunichi, the Group acquired from Matsunichi its publishing and printing business, which comprised one newspaper, five magazines and one printing arm, namely Hong Kong Daily News, Eastweek, Weekend Weekly, New Monday, Oriental Sunday, Economic Digest and Hong Kong Daily Offset Printing.

During the year, Hong Kong Daily News continued to operate under a difficult environment of cut-throat competition and economic depression. The management had been taking steps to enrich the contents of the newspaper, while at the same time controlling its costs and opening up new income streams to improve its results.

Eastweek, Weekend Weekly, New Monday and Oriental Sunday were published and managed by the New Media Group (“New Media”). New Media ceased the publication of Eastweek in early November 2002, as a result of which the Group incurred a substantive loss. Shortly after the year under review, the trademark of Eastweek was disposed of outside the Group. Weekend Weekly had turned from the red and generated a satisfactory profit for the Group during the year. A slight loss was recorded for New Monday and Oriental Sunday, which was a substantive improvement as compared with last year. The management expected the performance of the magazines to continue to improve for the coming year.

During the year, the operation of Economic Digest had diversified into book publishing, seminar and event organization and professional training to broaden its income stream. In the latter part of the year, the management of Economic Digest decided to pare down its diversification programme, and shortly after the end of the year under review, the management was consolidated under the New Media Group to facilitate the sharing resources and to create synergy.

The printing arm of the Group, Hong Kong Daily Offset Printing, continued to generate a steady profit for the Group, despite keen competition and a difficult economic environment.

Marine Products

The Group acquired the business of glass eel trading in late January 2003. This business contributed a mild profit to the Group for the period from February to March 2003.

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

ECC is a Hong Kong listed company and was held as to 49.11% by the Company. In January 2003, the Company reduced its shareholding in ECC to 30.99%.

The Group incurred a loss of HK\$300 million from ECC. 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 December 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 its PRC lawyers that according to the records of 工商行政管理局, the interest of ECC in Beijing Peony was transferred to a third party in August 2001 without the knowledge of ECC. ECC had been in consultation with its PRC lawyers with a view to recovering ECC’s interest in Peony Garden. In view of the unauthorised transfer of interest in Beijing Peony, ECC had re-assessed the carrying amount of the project and made an allowance of HK\$627 million during the year.

Shortly prior to the end of the year in March 2003, the Company through its wholly-owned subsidiary, Achieve Perfect Group Limited (“Achieve Perfect”) purchased from Lavergem Holdings Limited (“Lavergem”), a wholly-owned subsidiary of ECC, the entire issued share capital of Lacework Profits Limited (“Lacework”) and the loan due from Lacework and its subsidiaries to Lavergem, at a consideration of approximately HK\$127 million. Lacework was an investment holding company with its subsidiaries principally engaged in property development projects in Xiamen, Chongqing and Tienmapien in the PRC. With this acquisition, the Group increased its investment in these PRC properties.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st March, 2003, total external borrowings (excluding intra-group liabilities, normal trade payable and accruals, and tax liabilities) amounted to approximately HK\$1,109 million, which was the same as last year. Debt to equity ratio (measured by total external borrowings as a percentage to the shareholders’ fund of the Group) increased from 40% as at 31st March, 2002 to 54% as at 31st March, 2003.

During the year under review, the Group had been funding its operation and capital expenditure through bank balances and cash on hand, cash from operations, bank borrowings and unsecured loans from a shareholder and related companies.

The Group's external bank borrowings (mainly secured by the Group's leasehold land and buildings, investment properties, hotel properties and properties under development) and bank balances and cash were mainly denominated in Hong Kong dollars and no significant exposure to foreign exchange rate fluctuation is expected. External borrowings bear interest at prevailing market rates. The Group had contingent liabilities in respect of guarantees given by the Group to (a) banks as security for banking facilities granted to third parties and as at 31st March, 2003, the total amount of facilities utilized was HK\$23 million and (b) a bank in the PRC in respect of the mortgage loans granted to third parties totalling HK\$18 million.

With the cashflow generated from operations of the Group in their ordinary course of business, the Group's existing loan facilities and unsecured loan from a shareholder, the Board expected to have sufficient working capital for the Group's operation.

STAFF COSTS

The total cost incurred for staff, including directors' emoluments amounted to HK\$199 million (as compared to HK\$114 million for the last corresponding period) and the number of staff was approximately 1,100 as at 31st March, 2003, as compared to 390 for the last year. Such increases were mainly on account of the Group acquiring the publishing and printing business from Matsunichi.

ASSETS PLEDGED

Assets with carrying value of HK\$2,468 million were pledged as security for banking facilities.

PROSPECTS

Faced with the continuing unfavourable economic conditions and the impact of SARS, the Group had taken steps to cut costs to sustain its competitiveness and would at the same time continue to look for suitable investment opportunities in a prudent manner.

FULL DETAILS OF FINANCIAL INFORMATION

All the information required by paragraph 45(1) to 45(3) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

By Order of the Board
Luk Siu Man, Semon
Chairperson

Hong Kong, 17th July, 2003

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Emperor International Holdings Limited (the “Company”) will be held at 25th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong on 27th August, 2003 at 11:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st March, 2003.
2. To re-elect retiring directors, to fix directors’ remuneration and to grant power to the board of directors to appoint additional director(s).
3. To re-appoint auditors and to authorise the board of directors to fix their remuneration.
4. As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

(A) “THAT

- (i) subject to sub-paragraph (ii) of this resolution, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot and issue additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers either during or after the Relevant Period, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in sub-paragraph (i) of this resolution, otherwise than pursuant to a Rights Issue or the exercise of subscription or conversion rights under any warrants of the Company or any securities which are convertible into shares of the Company or any share option scheme, shall not exceed twenty per cent. of the nominal amount of the issued share capital of the Company on the date of this resolution and this approval shall be limited accordingly; and
- (iii) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and

- (c) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the directors to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong),”

(B) “THAT

- (i) subject to sub-paragraph (ii) of this resolution, the exercise by the directors during the Relevant Period of all the powers of the Company to repurchase issued shares in the capital of the Company, subject to and in accordance with all applicable laws and the Bye-laws of the Company, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of the share capital which the Company is authorised to repurchase pursuant to the approval in sub-paragraph (i) of this resolution shall not exceed ten per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of this resolution and the said approval shall be limited accordingly; and
- (iii) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and
- (c) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution in general meeting.”

- (C) “THAT conditional upon resolution no. 4(B) above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors as mentioned in resolution no. 4(B) above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to resolution no. 4(A) above.”

By Order of the Board
Mok Fung Lin, Ivy
Company Secretary

Hong Kong, 17th July, 2003

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Hamilton HM11
Bermuda

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Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

Notes:

- (i) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy in respect of the whole or any part of his holding of shares to attend and vote in his stead. A proxy need not be a member of the Company.
- (ii) In order to be valid, the form of proxy must be deposited at the principal office of the Company at 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney, not less than 48 hours before the time for holding the meeting or adjourned meeting.
- (iii) Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting if the member so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.

** for identification purpose only*

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