

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30th September, 2003 (the “Period”), Emperor (China Concept) Investments Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) recorded a slight loss of approximately HK\$0.7 million, as compared with a net loss of approximately HK\$624.9 million in the last corresponding period. No turnover, however, was recorded for the Period, while the turnover for the previous corresponding period amounted to approximately HK\$19.0 million.

OPERATION REVIEW

The loss of the Group was greatly reduced as no similar writing off of investment, as was made in the previous corresponding period, was required for the Period. The slight loss for the Period was incurred as the Group’s operating expenses slightly exceeded the license fee earned in respect of property held in Shanghai. The Group experienced a marked drop in its turnover as the existing property development project of the Group was still in the planning stage.

Emperor Star City, Shanghai

Emperor Star City, Shanghai is located in the famous tourist area of Yuyuan, Shanghai in the People’s Republic of China (“PRC”). The management had been studying the latest market performance in Shanghai. Changes to the previously approved development scheme might be implemented to match the current market condition. During the Period, the Group had licensed the site to maximize the income of the Group.

Hong Tai Building, Chongqing

The Group had entered into agreement to acquire certain units and car parking spaces at Chongqing Hong Tai Building, the construction works of which had been suspended. In view of the prolonged suspension of the development, a full provision of the paid deposit of approximately HK\$18.7 million was made in previous financial years. The management had been exploring the possibility of disposing of its interest in the building to recover some of its investment cost.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

There was no material change in the Group's sources of fund to finance its operation and capital expenditure, as well as its capital structure as disclosed in the Group's annual report for the year ended 31st March, 2003.

As at 30th September, 2003, the Group's current assets amounted to approximately HK\$37.1 million, comprising approximately HK\$26.8 million of deposits, prepayments and other receivables and approximately HK\$10.3 million of bank balances and cash held in hand (which were denominated in Renminbi, U.S. dollars and Hong Kong dollars). Current liabilities amounted to approximately HK\$2.4 million, representing accrued charges and other payables.

On the same date, advances from a minority shareholder of a subsidiary was approximately HK\$18.0 million which was non-interest bearing. The Group also had advances from related companies of approximately HK\$29.2 million, of which approximately HK\$13.2 million from a related company was interest bearing at prevailing market rates while HK\$16.0 million from another related company was non-interest bearing. All these advances were denominated in Hong Kong dollars, unsecured and had no fixed repayment term.

Save as disclosed above, the Group had no other external borrowings at the end of the Period. With the borrowings and bank and cash held in hand denominated in Renminbi, U.S. dollars and Hong Kong dollars, the management expected no significant exposure to foreign exchange rate fluctuation in the coming year.

The Group's debt to equity ratio (expressed as a percentage of total liabilities over shareholders' fund) as at 30th September, 2003 was 19% as compared to 18% in preceding financial year.

NUMBER AND REMUNERATION OF EMPLOYEES

As at the end of the Period, the Group had no staff under employment. Total staff costs, representing directors' remuneration for the Period was approximately HK\$0.5 million. The management in Hong Kong would continue to monitor the daily operation of the existing development project and recruit new staff when the construction works of the project commenced.

The Company also has a share option scheme adopted on 2nd September, 2002, the purpose of which 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.

INTERIM DIVIDEND

The board of directors (the "Board") of the Company did not recommend the payment of an interim dividend for the Period (2002 nil).

PROSPECTS

The main business of the Group is property investment and development in the PRC. In view of the volatile property market in the PRC, the management will cautiously explore new investment opportunities in the PRC.

RESULTS

The Board announces the unaudited consolidated results of the Group for the Period together with the comparative figures for the corresponding period in 2002 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2003

		Six months ended	
		30th September, 2003 (unaudited) HK\$'000	30th September, 2002 (unaudited) HK\$'000
	Notes		
Turnover	3	–	18,966
Cost of sales		–	(9,399)
Impairment loss recognised in respect of properties held for sale		–	(3,465)
Gross profit		–	6,102
Other operating income		2,271	670
Selling and marketing expenses		–	(513)
Administrative expenses		(1,800)	(11,425)
Profit (loss) from operations	3 & 4	471	(5,166)
Finance costs	5	(414)	(7,549)
Gain on disposal of a subsidiary		–	27,703
Loss on winding up of subsidiaries		–	(675)
Allowance for doubtful recovery of amount due from an unconsolidated subsidiary		–	(627,164)
Profit (loss) before taxation		57	(612,851)
Taxation	6	(625)	(378)
Loss before minority interests		(568)	(613,229)
Minority interests		(124)	(11,663)
Loss attributable to shareholders		(692)	(624,892)
Loss per share – basic	7	HK\$(0.06)	HK\$(56.77)

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2003

	Notes	30th September, 2003 (unaudited) HK\$'000	31st March, 2003 (audited) HK\$'000
Non-current assets			
Property, plant and equipment		88	86
Properties under development		267,000	267,000
Interests in unconsolidated subsidiaries	8	—	—
		<u>267,088</u>	<u>267,086</u>
Current assets			
Deposits, prepayments and other receivables		26,798	26,683
Bank balances and cash		10,271	9,131
		<u>37,069</u>	<u>35,814</u>
Current liability			
Accrued charges and other payables		2,351	2,356
Net current assets			
		<u>34,718</u>	<u>33,458</u>
		<u>301,806</u>	<u>300,544</u>
Capital and reserves			
Share capital	9	11	11
Reserves		261,538	262,304
		<u>261,549</u>	<u>262,315</u>
Minority interests			
		<u>(6,910)</u>	<u>(7,031)</u>
Non-current liabilities			
Amounts due to related companies		29,191	27,287
Amount due to a minority shareholder of a subsidiary		17,976	17,973
		<u>47,167</u>	<u>45,260</u>
		<u>301,806</u>	<u>300,544</u>

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2003

	Capital						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share redemption reserve HK\$'000	Contributed surplus HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	
At 1st April 2002 (audited)	55,034	564,363	666	514,191	10,539	(279,812)	864,981
Exchange difference arising on translation of overseas operations	-	-	-	-	(5)	-	(5)
Net losses not recognised in the consolidated income statement	-	-	-	-	(5)	-	(5)
Reserve realised upon disposal of a subsidiary	-	-	-	-	10	-	10
Loss attributable to shareholders	-	-	-	-	-	(624,892)	(624,892)
At 30th September, 2002 (unaudited)	55,034	564,363	666	514,191	10,544	(904,704)	240,094
Exchange difference arising on translation of overseas operations	-	-	-	-	4,033	-	4,033
Share of reserve by minority shareholders of subsidiaries	-	-	-	-	(326)	-	(326)
Net gains not recognised in the consolidated income statement	-	-	-	-	3,707	-	3,707
Cancellation of shares	(55,023)	-	-	55,023	-	-	-
Transfer of contributed surplus to accumulated losses	-	-	-	(55,023)	-	55,023	-
Reserve realised upon disposal of subsidiaries	-	-	-	-	(8,112)	-	(8,112)
Profit attributable to shareholders	-	-	-	-	-	26,626	26,626
At 31st March, 2003 (audited)	11	564,363	666	514,191	6,139	(823,055)	262,315

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30th September, 2003

	Capital						Total
	Share capital	Share premium	Share redemption reserve	Contributed surplus	Translation reserve	Accumulated losses	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Exchange difference arising on translation of overseas operations	-	-	-	-	(78)	-	(78)
Share of reserve by a minority shareholder of a subsidiary	-	-	-	-	4	-	4
Net losses not recognised in the consolidated income statement	-	-	-	-	(74)	-	(74)
Loss attributable to shareholders	-	-	-	-	-	(692)	(692)
At 30th September, 2003 (unaudited)	11	564,363	666	514,191	6,065	(823,747)	261,549

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2003

	Six months ended	
	30th September,	30th September,
	2003	2002
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash (used in) from operating activities	(420)	8,317
Net cash from investing activities	128	16,015
Net cash from (used in) financing activities	1,493	(16,050)
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Net increase in cash and cash equivalents	1,201	8,282
Cash and cash equivalents at the beginning of the period	9,131	34,937
Effect of foreign exchange rate changes	(61)	-
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period		
Bank balances and cash	10,271	43,219
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NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2003

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 with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

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

The principal accounting policies adopted in preparing the unaudited consolidated results are consistent with those followed in the Group's annual financial statements for the year ended 31st March, 2003, except as described below.

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 current or prior accounting periods. Accordingly, no prior period adjustment has been required.

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3. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format. An analysis of the Group's business segmental information is as follows:

	Continuing operation	Discontinuing operation	Unallocated corporate items	Total
	Property sales and development	Holiday resort operation (note)		
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended				
30th September, 2003				
TURNOVER	-	-	-	-
RESULTS				
Profit (loss) from operations	1,972	-	(1,501)	471
Finance costs				(414)
Profit before taxation				57
Taxation				(625)
Loss before minority interests				(568)
Minority interests				(124)
Loss attributable to shareholders				(692)

3. SEGMENT INFORMATION (Continued)

	Continuing operation	Discontinuing operation		
	Property sales and development	Holiday resort operation (note)	Unallocated corporate items	Total
	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000
For the six months ended 30th September, 2002				
TURNOVER	12,034	6,932	-	18,966
RESULTS				
Loss from operations	(2,163)	(1,524)	(1,479)	(5,166)
Gain on disposal of a subsidiary	27,703	-	-	27,703
Loss on winding up of subsidiaries	(675)	-	-	(675)
Allowance for doubtful recovery of amount due from an unconsolidated subsidiary	(627,164)	-	-	(627,164)
Finance costs				(7,549)
Loss before taxation				(612,851)
Taxation				(378)
Loss before minority interests				(613,229)
Minority interests				(11,663)
Loss attributable to shareholders				(624,892)

Note: On 29th March, 2003, the Group disposed of its 100% equity interest in Lacework Profits Limited and its subsidiaries, which carried out the Group's holiday resort operation and part of the Group's property sales and development operation. Accordingly, the Group's holiday resort operation was identified as a discontinuing operation in the corresponding period in 2002.

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4. PROFIT (LOSS) FROM OPERATIONS

	Six months ended	
	30th September,	30th September,
	2003	2002
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit (loss) from operations has been arrived at after charging:		
Depreciation and amortisation	1	1,796
and after crediting:		
Interest income from:		
– bank and other deposits	27	94
– loan receivable	124	–
Rental income	2,120	–
	<u>2,120</u>	<u>–</u>

5. FINANCE COSTS

	Six months ended	
	30th September,	30th September,
	2003	2002
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest on:		
– debentures	–	(2,539)
– amount due to a related company	(414)	(5,010)
	<u>(414)</u>	<u>(7,549)</u>

6. TAXATION

Taxation charge for both periods represents the taxation arising in the PRC, which is calculated at the rates prevailing in the PRC.

No provision for Hong Kong Profits Tax has been made as there were no estimated assessable profits for both periods.

7. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's unaudited consolidated loss attributable to shareholders of approximately HK\$692,000 (2002: HK\$624,892,000) and on 11,006,883 (2002: 11,006,883 ordinary shares adjusted to take into account of the effect of the 10 to 1 share consolidation effective on 31st March, 2003) ordinary shares in issue during the Period.

Diluted loss per share has not been presented for either period as the Company had no dilutive potential ordinary shares for the Period and the exercise price of the Company's debentures was higher than the average market price of the Company's shares in the corresponding period in 2002.

8. INTERESTS IN UNCONSOLIDATED SUBSIDIARIES

	30th September, 2003 (unaudited) HK\$'000	31st March, 2003 (audited) HK\$'000
Carrying value at date of deconsolidation	-	-
Amount due from an unconsolidated subsidiary	717,556	717,556
Less: Allowance for doubtful recovery	(717,556)	(717,556)
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8. INTERESTS IN UNCONSOLIDATED SUBSIDIARIES (Continued)

As at 30th September, 2003, the Group had 80% interest in the equities in and shareholders' loans to Canlibol Holdings Limited ("Canlibol") and its wholly-owned subsidiary, Beijing Peony Garden Apartment House Co., Ltd. ("Beijing Peony" and collectively referred to as the "Canlibol Group"), which are engaged in property development, representing the Group's entire investment costs in the Canlibol Group. The Group was unable to exercise its rights as a controlling shareholder of the Canlibol Group, and in particular its ability to exercise significant influence over the financial and operating policy decisions of the Canlibol Group and to obtain financial information. Against this background, the directors of the Company considered that the Group had lost the ability to exercise effective control over the Canlibol Group and the Canlibol Group had been dealt with as unconsolidated subsidiaries since 1st October, 2000.

On 22nd November, 2002, the Company was informed by its PRC lawyers that an unauthorised registration had been filed with the relevant authority in the PRC pursuant to which the entire interest in Beijing Peony had already been transferred to a party unknown to the Company. The directors of the Company had been in consultation with its PRC lawyers with a view to recovering its interest in the project, however, in view of the development, the directors of the Company considered it was appropriate to make an allowance for doubtful recovery of the remaining amount due from Canlibol in preceding financial year.

9. SHARE CAPITAL

	30th September, 2003 (unaudited) HK\$'000	31st March, 2003 (audited) HK\$'000
Authorised:		
200,000,000,000 ordinary shares of HK\$0.001 each	200,000	200,000
Issued and fully paid:		
11,006,883 ordinary shares of HK\$0.001 each	11	11

10. CAPITAL COMMITMENTS

	30th September, 2003 (unaudited) HK\$'000	31st March, 2003 (audited) HK\$'000
Authorised but not contracted for in respect of property development projects	2,910	2,917
Contracted for but not provided in the consolidated financial statements, net of deposits paid in respect of property development projects	60,956	61,045
	63,866	63,962

11. RELATED PARTY TRANSACTIONS

During the Period, the Group had the following transactions with related parties:

	Six months ended	
	30th September, 2003 (unaudited) HK\$'000	30th September, 2002 (unaudited) HK\$'000
Interest from a minority shareholder of subsidiaries (<i>note (b)</i>)	1,085	1,047
Interest to a related company (<i>notes (a) and (b)</i>)	414	5,010
Management fees to related companies (<i>notes (a) and (c)</i>)	120	484
Secretarial fee to a related company (<i>notes (a) and (d)</i>)	160	160

Notes:

- (a) Certain director and substantial shareholders of the Company have beneficial or deemed interests in the above related companies.
- (b) The interest was calculated by reference to the principal outstanding and at the prevailing market interest rates.
- (c) The management fees were charged on a cost basis.
- (d) The transaction was carried out after negotiations between the Group and the related company and on basis of estimated market value as determined by the directors of the Company.

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

As at 30th September, 2003, 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 (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 were as follows :-

Long position in shares in the Company

Name of director	Nature of interest	Number of ordinary shares held	Percentage holding
Ms. Luk Siu Man, Semon ("Ms. Semon Luk")	Family	3,411,310	30.99%

Note: The shares were registered in the name of Worthy Strong Investment Limited ("Worthy Strong"), a wholly-owned subsidiary of Emperor International Holdings Limited ("EIHL"). EIHL was a company with its shares listed in Hong Kong; 74.79% of the shares of EIHL were registered in the name of Charron Holdings Limited ("Charron"). The entire issued share capital of Charron was held by Jumbo Wealth Limited ("Jumbo Wealth") on trust for The A&A Unit Trust. The A&A Unit Trust was a unit trust under The Albert Yeung Discretionary Trust ("Trust"), a discretionary trust set up by Mr. Yeung Sau Shing, Albert ("Mr. Albert Yeung"). Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the 3,411,310 shares held by Worthy Strong. By virtue of the aforesaid interest of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and director of the Company) was also deemed to be interested in the above 3,411,310 shares held by Worthy Strong.

Save as disclosed above, as at 30th September, 2003, none of the directors or chief executives of the Company had any interests or short positions in shares, underlying shares or debentures in 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.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as known to the directors of the Company, as at 30th September, 2003, the persons (other than the directors or chief executives of the Company) who had interests or 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 and the Stock Exchange were as follows:–

Long position in shares in the Company

Name	Capacity/ Nature of interest	Number of ordinary shares held	Percentage holding
EIHL	Interest in a controlled corporation	3,411,310	30.99%
Charron	Interest in a controlled corporation	3,411,310	30.99%
Jumbo Wealth	Trustee	3,411,310	30.99%
GZ Trust Corporation ("GZ Trust")	Trustee	3,411,310	30.99%
Mr. Albert Yeung	Founder of the Trust	3,411,310	30.99%

Note: The shares were registered in the name of Worthy Strong, a wholly-owned subsidiary of EIHL. EIHL was a company with its shares listed in Hong Kong; 74.79% of the shares of EIHL were registered in the name of Charron. The entire issued share capital of Charron was held by Jumbo Wealth on trust for The A&A Unit Trust. The A&A Unit Trust was a unit trust under the Trust, the trustee of which was GZ Trust. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the 3,411,310 shares held by Worthy Strong. The above shares were the same shares as those set out under the section of "Directors' and Chief Executives' Interests and Short Positions in Shares" above.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS (Continued)

Save as disclosed above, as at 30th September, 2003, the directors of the Company were not aware of any other persons (other than the directors or chief executives of the Company) who had any interests or short positions in the shares, underlying shares or debentures in the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

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 except that (i) the independent non-executive directors of the Company were not appointed for specific terms and (ii) full board meeting was not held every six months as one of the directors of the Company was away from Hong Kong.

By Order of the Board

Luk Siu Man, Semon

Chairperson

Hong Kong, 18th December, 2003