

OPERATION REVIEW

Property Development and Investment

Being the bedrock business of the Group, property development and investment continued to contribute significant and stable income during the Period. However, the business recorded a loss of approximately HK\$179 million as a result of the significant devaluation of properties in the amount of about HK\$238 million held by the Group following the September 11 incident in the United States ("911 Incident"). All the houses of Little Palm Villa at Sai Kung which had been recently renovated, had been sold during the Period. Green Cove at Ting Kok Road, Tai Po, a low-density residential project comprising 6 garden houses, had also been completely sold out as at the date of this report. Nearly all but three of the apartments of Tower Two of South Bay Palace, a luxurious residential development, had been sold, with completion of some of the sales to take place in the second half of the current financial year. Construction works of two other residential developments at Chung Hom Kok and Tai Po were scheduled to be completed in the fourth quarter of 2002.

Securities and Financial Services

During the Period, the securities and futures brokerage and advisory business contributed HK\$17 million to the Group's result as compared with a profit of HK\$48 million which included a non-recurrent profit of approximately HK\$28 million arising from the sale of shares in Hong Kong Exchanges and Clearing Limited for the previous corresponding period. Setting aside the profit arising from the aforesaid non-recurrent sale of shares, there was a mild drop in the profit of this business sector as a result of a less active financial market. The profitability for the second half of the financial year was expected to continue to suffer in view of the anticipated fall of the global market following the 911 Incident. The management would take measures to minimize the negative effect of the incident.

Hotel and Furniture

The results of both the hotel and the furniture businesses received setbacks during the Period due to the depressed economic climate. The operating loss of Emperor (Happy Valley) Hotel had increased. To counter the poor operating condition, the Hotel had been offering special room rate packages during long vacation which yielded satisfactory occupancy rate. Theme parties would continue to be organized at Pink Mao Mao, the hotel lounge, to boost its business in light of the keen competition from similar operations in the neighborhood. During the Period, the furniture business of Ulferts only recorded a small profit. With the upcoming seasonal clearance sale in March, 2002, the management expected the business to yield better result for the second half of the financial year.

Licensing of Streaming Rights

A loss of approximately HK\$18 million was recorded for this operation, mainly due to an amortization of the acquisition cost of the rights.

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

ECC is a Hong Kong listed company and is held as to 49.11% by the Company. ECC mainly engaged in property investment and development in the People’s Republic of China (“PRC”). During the Period, a loss of HK\$9 million was recorded as compared with a loss of HK\$20 million in the previous corresponding period, mainly due to the reduction of finance costs and the net appreciation in property revaluation. The construction work of Tower 1 and Tower 2, Phase I of Riverside Garden, Xiamen had been completed. About 87% of the residential units of Tower 1 had been sold as at the end of the Period. Public sale of the residential units of Tower 2 was formally launched in October 2001 and around 20% had been sold as at the date of this report. The management planned to commence the construction work of Phase II in the second half of the year 2002. ECC had difficulty in exerting management control over Beijing Peony Garden Apartment House Co. Ltd. (“Beijing Peony”), an indirect 80% owned subsidiary of ECC and the registered owner of Peony Garden, a hotel and service apartment development in Beijing. ECC had been taking appropriate actions with a view to exerting management control over Beijing Peony.

Emperor Technology Venture Limited (“ETV”)

ETV is a Hong Kong listed company and is held as to 34.94% by the Company. During the Period, ETV and its subsidiaries recorded a loss attributable to the Group of HK\$26 million. The loss was mainly due to the poor performance of the publishing business, most publications of which were still in the investment stage. The management expected the acquisition of Eastweek and Oriental Sunday, two well-known local infotainment magazines, to strengthen the Group’s competitive edge in the media industry and create a synergy effect on the Group’s other publishing business. There was a drop in the profitability of trading and retailing of apparel during the Period as a result of the poor consumer market.