



## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30th September, 2002 ("Period"), Emperor International Holdings Limited ("Company") and its subsidiaries (collectively referred to as 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 for the Period was HK\$354 million 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 People's Republic of China (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.



## OPERATION REVIEW (Continued)

### **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.



## OPERATION REVIEW *(Continued)*

### **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.

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