



EMPEROR ENTERTAINMENT HOTEL LIMITED

英皇娛樂酒店有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 296)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2005

INTERIM RESULTS

The board of the directors (the "Board") of Emperor Entertainment Hotel Limited (the "Company") announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30th September, 2005 (the "Period") together with the comparative figures for the corresponding periods as set out below.

These condensed consolidated financial statements have not been audited nor reviewed by the Company's auditors, Deloitte Touche Tohmatsu, but have been reviewed by the audit committee of the Company, which comprises the three independent non-executive directors of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30th September, 2005	30th September, 2004
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Turnover	3	67,565	–
Cost of sales		(2,077)	–
Direct operating expenses		(25,296)	–
Gross profit		40,192	–
Other operating income		1,749	3,019
Selling and marketing expenses		(1,596)	–
Administrative expenses		(40,537)	(2,134)
Finance costs		(1,865)	(406)
Increase in fair value of investment property		20,364	–
Reversal of allowance for deposit paid for the purchase of properties		–	15,168
Profit before taxation		18,307	15,647
Taxation	4	(6,939)	–
Profit for the period	3 & 5	11,368	15,647
Attributable to:			
Equity holders of the Company		18,665	15,653
Minority interests		(7,297)	(6)
		11,368	15,647
Earnings per share	6		
– basic (2004: restated)		HK\$0.02	HK\$0.07
– diluted		HK\$0.02	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	As at 30th September, 2005 (Unaudited) <i>HK\$'000</i>	31st March, 2005 (Audited) <i>HK\$'000</i>
Non-current assets		
Investment property	237,049	–
Property, plant and equipment	1,033,938	133,267
Property under development	200,847	360,298
Deposits made on acquisition of a subsidiary	–	196,757
Deposits made on acquisition of property, plant and equipment	71,245	4,899
Other assets	–	27,382
Goodwill	69,076	18,301
	1,612,155	740,904
Current assets		
Inventories, at cost	1,974	1,239
Trade receivables	11,207	–
Deposits, prepayments and other receivables	4,398	4,952
Amount due from a related company	–	1,146
Bank balances and cash	300,681	525,961
	318,260	533,298
Current liabilities		
Trade payables	4,263	3,629
Accrued charges and other payables	25,986	10,456
Amount due to a related company	5,037	–
Secured bank borrowing – due within one year	12,638	–
	47,924	14,085
Net current assets	270,336	519,213
Total assets less current liabilities	1,882,491	1,260,117
Non-current liabilities		
Amount due to a related company	47,753	18,005
Amounts due to minority shareholders of a subsidiary	477,491	180,000
Secured bank borrowing – due after one year	83,111	–
Deferred taxation	73,036	5,533
	681,391	203,538
	1,201,100	1,056,579
Capital and reserves		
Share capital	93	93
Reserves	1,120,091	1,056,937
Equity attributable to equity holders of the Company	1,120,184	1,057,030
Minority interests	80,916	(451)
Total equity	1,201,100	1,056,579

Notes:

1. Basis of Preparation

The unaudited condensed financial statements have been prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. Principal Accounting Policies

The unaudited condensed financial statements have been prepared on the historical costs basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts as appropriate.

The accounting policies adopted for preparation of the unaudited condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2005 except as described below.

In the Period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. The change in presentation has been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have effects on how the results for the current or prior accounting periods are prepared and presented:

(a) Share-based Payments

In the Period, the Group has applied HKFRS 2 “Share-based Payment” which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares (“equity-settled transactions”), or in exchange for other assets equivalent in value to a given number of shares or rights over shares (“cash-settled transactions”). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors’ share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised.

During the Period, the Company granted share options to certain directors of the Company for their services rendered in accordance with the Company’s share option scheme. The Group has applied HKFRS 2 to the share options granted on or after 1st April, 2005. The effect of the change was to increase expenses of HK\$3,964,000 and to give rise a share option reserve of the same amount. In prior year, no share options were granted. Hence, no prior period adjustment has been required.

(b) Financial Instruments

In the Period, the Group has applied HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement”. HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effect resulting from the implementation of HKAS 32 and HKAS 39 is summarised below:

Financial liabilities other than debt and equity securities

From 1st April, 2005 onwards, the Group classifies and measures its financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice 24) in accordance with the requirements of HKAS 39. Under HKAS 39, financial liabilities are generally classified as “financial liabilities at fair value through profit and loss” or “financial liabilities other than financial liabilities at fair value through profit and loss (other financial liabilities)”. Other financial liabilities are carried at amortised cost using effective interest method.

Prior to the application of HKAS 39, interest-free loans from a related company and minority shareholders of a subsidiary were stated at the nominal amount. HKAS 39 requires all financial assets and liabilities be measured at fair value on the initial recognition. Such loans are measured at amortised cost determined using the effective interest method at subsequent balance sheet dates. The change in accounting policy has resulted in a reduction of the carrying amounts of amount due to a related company and amounts due to minority shareholders of a subsidiary as at 1st April, 2005 by

approximately HK\$2,759,000 and HK\$27,581,000 respectively, and an increase of minority interests as at 1st April, 2005 by approximately HK\$30,340,000. The effect of the change on the results of the Period was to increase finance costs by approximately HK\$8,880,000, out of which an amount of approximately HK\$7,015,000 had been capitalised, due to the recognition of imputed interest expenses.

(c) Investment Properties

In the Period, the Group, for the first time, applied HKAS 40 “Investment Property”. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise.

As at 1st April, 2005, the Group reclassified the land use rights of a property development project at a cost of approximately HK\$162,354,000 from property under development to investment property. Due to the application of HKAS 40, this investment property was subject to revaluation using the fair value model. The effect of the change was that the resulting increase in fair value of the investment property as at 1st April, 2005 amounting to approximately HK\$50,695,000 had been recognised directly to the accumulated losses and the increase in the fair value of approximately HK\$20,364,000 during the Period had been directly recognised in the income statement.

(d) Deferred Taxes related to Investment Properties

With the effect of the application of HKAS 40 as mentioned above, the Group has applied HKAS Interpretation 21 “Income Taxes – Recovery of Revalued Non-Depreciable Assets” which removes the presumption that the carrying amount of investment property are to be recovered through sale. Therefore, the deferred tax consequences of the investment property are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date.

The impact of the application of HKAS Interpretation 21 was that deferred taxation of approximately HK\$16,729,000 and HK\$7,006,000, relating to the investment property, had been directly recognised in the accumulated losses as at 1st April, 2005 and the income statement. Accordingly, deferred taxation liabilities were in aggregate increased by approximately HK\$23,735,000.

3. Segment Information

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

	Cruise-related activities (Unaudited) HK\$'000	Hotel and entertainment operations (Unaudited) HK\$'000	Property sales and development (Unaudited) HK\$'000	Unallocated corporate items (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended 30th September, 2005					
TURNOVER	<u>67,565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,565</u>
RESULTS					
Segment results	21,448	(10,634)	20,007	(12,031)	18,790
Interest income					1,382
Finance costs					(1,865)
Profit before taxation					18,307
Taxation					(6,939)
Profit for the period					<u>11,368</u>
		Property sales and development (Unaudited) HK\$'000	Unallocated corporate items (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	
For the six months ended 30th September, 2004					
TURNOVER		<u>-</u>	<u>-</u>	<u>-</u>	
RESULTS					
Segment results		17,211	(1,514)		15,697
Interest income					356
Finance cost					(406)
Profit before taxation					15,647
Taxation					-
Profit for the period					<u>15,647</u>

4. Taxation

	Six months ended	
	30th September, 2005 (Unaudited) HK\$'000	30th September, 2004 (Unaudited) HK\$'000
The charge comprises:		
PRC enterprise income tax		
– overprovision in prior years	67	-
Deferred taxation		
– current period	(7,006)	-
	<u>(6,939)</u>	<u>-</u>

The PRC enterprise income tax is calculated at the rates prevailing in the People's Republic of China (the "PRC").

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

5. Profit for the Period

	Six months ended 30th September, 2005 (Unaudited) HK\$'000	30th September, 2004 (Unaudited) HK\$'000
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	2,857	1
Loss on disposal of property, plant and equipment	16	–
and after crediting:		
Interest income from:		
– bank and other deposits	1,382	1
– a minority shareholder of a subsidiary	–	355
Rental income (net of nil outgoings)	356	17
Reversal of allowance for amount due from a minority shareholder of a subsidiary	–	2,609
	<u>–</u>	<u>2,609</u>

6. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to equity holders of the Company is based on the following data:

	Six months ended 30th September, 2005 (Unaudited) HK\$'000	30th September, 2004 (Unaudited) HK\$'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity holders of the Company)	<u>18,665</u>	<u>15,653</u>
	As at	
	30th September, 2005 (Unaudited)	30th September, 2004 (Unaudited) (Restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>Note</i>)	928,771,980	<u>232,716,955</u>
Effect of dilutive potential ordinary shares:		
Share options	<u>2,732,240</u>	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>931,504,220</u>	

Note: The weighted average number of ordinary shares in 2004 had been adjusted for 1 to 10 share subdivision and rights issue effective on 3rd January, 2005 and 21st January, 2005, respectively.

INTERIM DIVIDEND

The Board declared the payment of an interim dividend of HK\$0.01 per share (“Dividend”) for the Period (2004: Nil), amounting to approximately HK\$9.3 million. The Dividend will be paid on 23rd January, 2006 (Monday) to shareholders whose names appear on Register of Members of the Company on 11th January, 2006 (Wednesday).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed, for the purpose of determining shareholders' entitlement to the Dividend, from 9th January, 2006 (Monday) to 11th January, 2006 (Wednesday) (both days inclusive), during which period no share transfer will be effected.

In order to qualify for the Dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Secretaries Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong (with effect from 3rd January, 2006, the address of Secretaries Limited will be relocated to 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong) for registration no later than 4:00 p.m. on 6th January, 2006 (Friday).

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the Group repositioned itself as an entertainment platform. The Group's recently-acquired cruise vessel the "Golden Princess" contributed to its earnings for the full six-month period, boosting its turnover to approximately HK\$67.6 million, compared with no turnover contributed to the Group in the previous period. Profit amounted to approximately HK\$18.7 million, compared with approximately HK\$15.7 million in the previous corresponding period, due to an increase in carrying value of investment property of approximately HK\$20.4 million.

During the Period, the Group was in full gear preparing the launch of its hotel in Macau, namely the Grand Emperor Hotel, its flagship project which is expected to generate major revenue for the Group in the future. It has also started the construction works of its property development project, a shopping arcade and service apartments complex, in Shanghai.

OPERATION REVIEW

The Group's development projects and various investment are discussed as follows:

Cruise-related activities

The Group received turnover of approximately HK\$67.6 million and profit of approximately HK\$21.4 million, from its cruise-related operations. This followed its purchase on 15th February, 2005 of the Golden Princess from the Company's substantial shareholder.

The turnover from this segment was derived from rental and operations of cruise-related activities. This segment constitutes a stable revenue stream generating cash-flow.

Hotel and entertainment operations

This segment is still in its development stage and recorded a loss of approximately HK\$10.6 million during the Period.

In November 2004, the Group announced to acquire an effective interest of 45% of a property in Macau which was completed on 3rd May, 2005 and would be renovated into a hotel named as Grand Emperor Hotel.

The hotel, in renovation stage during the Period, is expected to commence business in January 2006.

Property sales and development

This segment recorded a profit of approximately HK\$20.0 million because of the rise in fair value of its investment property in Shanghai, the PRC.

The property development project – to be developed into a retail development in Yu Yuan, Shanghai – was in investment stage during the Period. The Group planned to build on the 22,870 square meter site a commercial complex named Emperor Star City in 50:50 share with a local partner. The Group envisages to enjoy lucrative returns from the project, in which it only contributed the land, with construction being undertaken by its local partner and potential market risk covered by a put option. The main body of the project will be a six-storey shopping arcade, and the entire project is expected to have a gross area over 120,000 square metres. A ground breaking ceremony was held in June 2005. It is scheduled to complete in 2008.

CAPITAL STRUCTURE

There was no change in the capital structure of the Company during the Period.

Post Balance Sheet Event

Cancellation of Share Premium

On 20th September, 2005, the Board announced that a capital reorganisation was proposed by way of cancellation of the share premium ("Share Premium Cancellation"). Pursuant to the Share Premium Cancellation, the entire amount standing to the credit of the share premium account of the Company was to be cancelled, with part of the credit arising therefrom being applied to eliminate the accumulated losses of the Company as at 31st March, 2005 in the sum of approximately HK\$711.6 million in full and the remaining balance of the credit in the amount of approximately HK\$543.4 million being credited to the contributed surplus account of the Company. The Share Premium Cancellation was approved by the shareholders of the Company in a special general meeting held on 2nd November, 2005 and took effect on the same date.

USE OF PROCEEDS

At the end of the preceding financial year, the unused proceeds arising from the placing, the rights issue and the subscription of new shares in prior year amounted to approximately HK\$371.7 million. During the Period, the Company fully utilised the proceeds, with HK\$333.0 million being applied to the hotel development project in Macau and the remaining balance of approximately HK\$38.7 million for the Group's general working capital.

LIQUIDITY AND FINANCIAL RESOURCES

During the Period, the Group mainly funded its operations and capital expenditure through bank borrowing, advances from a related company and minority shareholders of a subsidiary. As at 30th September, 2005, the bank borrowing which was denominated in Hong Kong dollar, secured, interest bearing and had fixed repayment term amounted to approximately HK\$95.7 million. The advances from a related company and the minority shareholders were approximately HK\$47.8 million and HK\$477.5 million respectively, all of which were denominated in Hong Kong dollars, unsecured, non-interest bearing and had no fixed repayment term.

The Group's current assets and current liabilities as at the end of the Period were approximately HK\$318.3 million and HK\$47.9 million respectively. The gearing ratio of the Group (expressed as a percentage of total borrowings over net asset value) increased from 19% in the preceding financial year to 55%, which was mainly due to additional advances from a related company and minority shareholders of a subsidiary as well as the new bank loan raised for the Period.

Save as disclosed above and trade and other payables and accrued charges, the Group had no other external borrowings. Bank balances and cash on hand of the Group as at 30th September, 2005 totaled approximately HK\$300.7 million, which were mainly denominated in Hong Kong dollars and Macau Pataca. With the borrowings and bank balances and cash on hand mainly denominated in Hong Kong dollars and Macau Pataca, the Group experienced no significant exposure to foreign exchange rate fluctuation for the Period.

With its sufficient bank balances and cash on hand as well as its existing loan facility, the directors of the Company considered to have sufficient working capital for the operations and the future development of the Group.

COMMITMENTS AND CONTINGENCY

As at 30th September, 2005, the Group had total commitments of approximately HK\$431.8 million, of which approximately HK\$330.4 million was for property and hotel development projects in Shanghai and in Macau and approximately HK\$101.4 million for purchase of property, plant and equipment. The Group also had a contingent liability of approximately HK\$448.6 million in respect of capital commitments entered into by the Group for a joint venture partner of the property development project in Shanghai.

PLEDGE OF ASSET

At the end of the Period, an asset with carrying value of HK\$645.0 million was pledged to a bank as security for a banking facility granted to the Group.

NUMBER AND REMUNERATION OF EMPLOYEES

With the new hotel project in Macau in progress and the Group diversifying its business through the acquisition of the Golden Princess, the Group employed 616 staff as at 30th September, 2005 (2004: 2). Total staff costs, including directors' remuneration, for the Period were approximately HK\$22.4 million (2004: HK\$0.5 million). The management would continue to monitor the progress of the projects and recruit new staff when appropriate.

To provide incentives or rewards to the staff, the Company adopted a share option scheme on 2nd September, 2002. During the Period, the Company granted share options to certain directors of the Company.

PROSPECTS

The Group had been in full gear to prepare for the launch of the Grand Emperor Hotel in Macau during the Period. The hotel comprises about 300 rooms, retail outlets, restaurants, as well as six floors of entertainment facilities. Aiming to provide premium accommodation and entertainment services, the Grand Emperor Hotel will commence business in January 2006.

To take advantage of the booming commercial property market in China, the Group reactivated its property project in Shanghai. Located at Yu Yuan, Shanghai, the project is adjacent to the new M10 route of the Shanghai Metro, which is being built to match the opening of Shanghai Expo in 2008. The project includes a six-storey shopping arcade for generating long-term rental revenue. The Group has settled the plans with the local government and the Shanghai Metro to build an exit of the Yu Yuan station that leads into the shopping mall of the subject joint venture development. The project is expected to be completed in 2008.

Meanwhile, the Group continues to explore potential business opportunities worldwide.

CORPORATE GOVERNANCE

The Company had complied throughout the Period with the Code on Corporate Governance Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that (i) the non-executive directors of the Company were not appointed for specific terms as set out in Appendix 14 of the Listing Rules, however, they are subject to retirement and re-election at each annual general meeting in accordance with the Bye-laws of the Company; and (ii) the Chairperson had not attended the annual general meeting of the Company held on 25th August, 2005 as she was not in Hong Kong.

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

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

By Order of the Board
Emperor Entertainment Hotel Limited
Luk Siu Man, Semon
Chairperson

Hong Kong, 15th December, 2005

As at the date hereof, the Board of the Company comprised 1. Chairperson and Non-Executive Director: Ms. Luk Siu Man, Semon, 2. Executive Directors: Mr. Wong Chi Fai, Ms. Fan Man Seung, Vanessa and Ms. Mok Fung Lin, Ivy 3. Independent Non-Executive Directors: Ms. Chan Sim Ling, Irene (Chairperson of the audit committee), Mr. Lam San Keung and Ms. Chan Wiling, Yvonne.

** for identification purposes only*

Please also refer to the published version of this announcement China Daily.