英皇娛樂酒店有限公司

Emperor Entertainment Hotel Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 296)

Annual Report 2007/2008

CONTENTS

CORPORATION INFORMATION

DIRECTORS

Luk Siu Man, Semon* *(Chairperson)*
Wong Chi Fai
Fan Man Seung, Vanessa
Mok Fung Lin, Ivy
Chan Sim Ling, Irene**
Chan Wiling, Yvonne**
Wan Choi Ha**

* Non-executive Director
** Independent Non-executive Directors

COMPANY SECRETARY

Mok Fung Lin, Ivy, LL.B (Hons), P.C.LL, MBA

QUALIFIED ACCOUNTANT

Tong Pui Hung, Joanna, CPA

AUDIT COMMITTEE

Chan Sim Ling, Irene *(Chairperson)*
Chan Wiling, Yvonne
Wan Choi Ha

REMUNERATION COMMITTEE

Wong Chi Fai *(Chairman)*
Chan Sim Ling, Irene
Chan Wiling, Yvonne

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

PRINCIPAL OFFICE

28th Floor
Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

REGISTRAR (in Bermuda)

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

REGISTRAR (in Hong Kong)

Tricor Secretaries Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

BANKERS

Bank of China
Banco Weng Hang S.A.
Chong Hing Bank Limited
The Bank of East Asia
The Hongkong and Shanghai Banking
Corporation Limited
Wing Hang Bank

WEBSITE

http://www.emp296.com

STOCK CODE

296

FINANCIAL HIGHTLIGHTS

	2008 HK$'000	2007 HK$'000
For the year ended 31st March,		
Revenue from continuing operations	**1,255,133**	1,186,689
EBITDA from continuing operations:		
Before minority interests	**414,438**	350,839
After minority interests	**266,320**	233,395
Gain on fair value change in investment properties attributable to:		
Equity holders of the Company	**6,750**	59,580
Minority interests	**26,750**	111,520
	33,500	171,100
Profit for the year from continuing operations	**230,465**	237,548
Academic subsidy to an university in Shanghai	**(21,500)**	–
(Loss) profit for the year from discontinued operation	**(6,507)**	34,945
Profit for the year attributable to equity holders of the Company	**202,458**	272,493
Earnings per share – basic	**HK$0.20**	HK$0.29

	2008 HK$'000	2007 HK$'000
As at 31st March,		
Total assets	**3,369,590**	3,205,039
Total liabilities	**1,176,476**	1,307,359
Net assets	**2,193,114**	1,897,680

CHAIRPERSON'S STATEMENT

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Emperor Entertainment Hotel Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") principally engages in gaming operations and provision of entertainment and hospitality services in Macau.

The Group's flagship project, Grand Emperor Hotel in Macau, had been providing solid and steady contributions following the commencement of its operations in January 2006. In August 2007, the Group increased its effective interest in the Grand Emperor Hotel and the two self-managed VIP rooms in the hotel from 45% to 50% and from 90% to 100% respectively.

During the year under review, the Group disposed of its cruise liner operation. Revenue from the Group's continuing operations – being mainly the hotel and gaming operations – increased by 5.8% to approximately HK$1,255.1 million during the year under review (2007: HK$1,186.7 million). Gross profit grew 3.5% to approximately HK$1,021.8 million (2007: HK$986.8 million). Profit from continuing operations attributable to equity holders of the Company, after revaluation gain of HK$33.5 million (2007: HK$171.1 million), amounted to approximately HK$209.0 million (2007: HK$237.5 million). Earnings per share was HK$0.21, compared to HK$0.26 in 2007.

As at 31st March, 2008, net asset value attributable to equity holders amounted to approximately HK$1,713.2 million, 17.4% higher than the amount of HK$1,459.2 million in 2007.

BUSINESS REVIEW

Hotel and gaming operations

The Grand Emperor Hotel in Macau is the Group's flagship project. The Grand Emperor Hotel, located at the heart of Macau's city centre, has 136,660 square feet of gaming space spreading over seven floors, with an area specifically dedicated for slot machines, gaming concourse and VIP rooms which featured mainly baccarat – the most popular game in Macau with the best odds among major table games.

In August 2007, the Group successfully increased its effective interest in the Grand Emperor Hotel from 45% to 50%, and in two self-managed VIP rooms in the Grand Emperor Hotel from 90% to 100% through acquisition of additional interest of a subsidiary, details of which are set out in the section headed "Acquisition of Additional Interest of a Subsidiary" on page 7.

The restructuring streamlined the Group's corporate investment structure, raising its investment in the Grand Emperor Hotel and the Macau gaming market.

For the year ended 31st March, 2008, the Group recorded EBITDA (earnings before interest, tax, depreciation and amortisation) for this segment of approximately HK$438.6 million (2007: HK$364.8 million)

The Group demonstrated in the year under review its competitive edges and genuine earning capabilities despite intensifying competition. The Company not only recorded a sustainable performance over the year but also rewarded its shareholders by paying dividends regularly.

CHAIRPERSON'S STATEMENT

Gaming Revenue

The Group's casino operations, run by licence holder Sociedade de Jogos de Macau, S.A., had performed in line with management expectations despite intensifying competition arising from opening of new casinos and capacity expansion of existing casinos.

Gaming revenue for the year under review amounted to approximately HK$1,085.0 million (2007: HK$1,042.0 million).

Gaming Concourse

The Group operated 52 tables in its gaming concourse, targeting for the mass market. They in total contributed a gross win of approximately HK$643.6 million, an increase of 30.0% from HK$494.9 million of last year, with an average win of approximately HK$34,000 (2007: HK$28,000) per table per day.

Revenue for the year under review was approximately HK$257.4 million, up from HK$198.0 million in 2007. The hotel, which had established a strong brand name since opening in 2006, had attracted repeated customers and brought in new customers with its comprehensive entertainment and dining facilities, appealing to the tastes and preferences of its visitors.

Slot Machines

During the year under review, this sector recorded a gross win of approximately HK$113.4 million (2007: HK$119.3 million). As of 31st March, 2008, the hotel operated a total of 350 slot seats, compared to 348 a year earlier. The slot machines returned an average win of approximately HK$900 (2007: HK$950) per seat per day. Revenue for the Group for the year under review was approximately HK$45.3 million (2007: HK$42.3 million).

Self-managed VIP rooms

The Group launched its second VIP room inside the hotel in May 2007 with four tables providing baccarat games for high-rollers. The Group now self-manages two VIP rooms, with 10 tables in total, an area where the Group possesses substantial experience and expertise.

The VIP rooms had stable rolling of approximately HK$49.2 billion (2007: HK$52.9 billion) despite of market competition. Win percentage (calculated before discounts and commissions) was 3.2% (2007: 3.1%). Revenue was approximately HK$725.7 million (2007: HK$761.7 million) and an average win per table per day of approximately HK$426,000 (2007: HK$750,000) with dilution by the newly added tables in early opening stage. Despite the drop in revenue due to industry competition, the VIP rooms managed to be one of the leading in the market in terms of rolling and control in commission payout.

Rental from leased-out VIP rooms

The Group received contributions from the leasing of VIP rooms within the hotel. Revenue was approximately HK$56.6 million (2007: HK$40.0 million) during the year under review.

CHAIRPERSON'S STATEMENT

Non-gaming Revenue

The Grand Emperor Hotel recorded approximately HK$170.1 million (2007: HK$144.8 million) non-gaming revenue, which comprised mainly of contributions from hotel rooms, food and beverage, as well as rental income from sauna, night club and retail space on the ground floor of the hotel.

According to government statistics, the number of hotel rooms in Macau had increased 24.1% year-on-year to 16,195 as of 31st March, 2008. Hotel rooms in Macau recorded an average occupancy rate of 73%.

In spite of increase in room supply, the Group managed to attract and retain hotel guests with its top-class attentive service and high-end entertainment and lodging facilities. The 291 hotel rooms at the Grand Emperor Hotel returned an average daily rate of approximately HK$830 (2007: HK$740) during the year under review. Occupancy rate of the guestrooms was 85% (2007: 82%).

Room revenue was approximately HK$85.0 million (2007: HK$71.8 million). Revenue from food and beverage was approximately HK$70.2 million (2007: HK$58.3 million). Rental revenue from sauna, night club and retail space was approximately HK$14.9 million (2007: HK$14.7 million).

PROPERTY DEVELOPMENT

This segment recorded no revenue during the year under review, as its property project in Shanghai remained under development. The segment recorded a profit of approximately HK$7.4 million due to gain in exchange rates, as compared to a loss of approximately HK$4.1 million in 2007.

Located in Yu Yuan, Shanghai, the property will be developed into a shopping arcade and hotel/ service apartment complex on a 22,870 square-metre prime site. The main body of the complex will be a multi-storey shopping arcade, and the entire project is expected to have a floor area of more than 110,000 square metres. A new Shanghai M10 subway route will be adjacent to the subject site.

The Group had completed the foundation and basement excavation work for the development. Judgement of the litigation relating to the project is pending, details of which are set out in the section headed "Commitments and Contingencies" on page 9. In the meantime, the Group is reviewing the design and planning to award the contracts for construction above ground.

CRUISE AND CRUISE-RELATED OPERATIONS

Revenue from this segment came from the rental and operation of cruise-related activities of a cruise liner which provides entertainment, gaming and accommodation facilities. The Group received revenue of approximately HK$16.3 million (2007: HK$123.3 million) and recorded a loss of approximately HK$6.5 million (2007: profit of HK$34.9 million).

In June 2007, the Group disposed of the cruise liner and discontinued its cruise and cruise-related operations by disposal of related subsidiaries, details of which are set out in the section headed "Disposal of Subsidiaries" on page 7. The management believed that the disposal would allow the Group to focus its resources and efforts on the Macau hotel operation, a market with robust growth and potentials.

CHAIRPERSON'S STATEMENT

ACQUISITION OF ADDITIONAL INTEREST OF A SUBSIDIARY

On 12th June, 2007, Courage Wisdom Investments Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with World Million Profits Limited ("World Million"), a wholly-owned subsidiary of the substantial shareholder of the Company, for acquisition of the remaining 10% interests in Nova Strategic Limited ("Nova Strategic") and its subsidiaries (collectively referred to as the "Nova Strategic Group") and the entire shareholder's loan due from Nova Strategic to World Million (the "Acquisition"). The Acquisition was completed on 20th August, 2007 and its aggregate consideration (based on 10% of the consolidated net asset value of the Nova Strategic Group after taking into account of certain adjustments as agreed by both parties and all the outstanding loans due from Nova Strategic to World Million as at completion of the Acquisition) amounted to approximately HK$189.5 million, out of which HK$188.6 million was satisfied by the allotment and issue of 104,774,846 shares of the Company at an issue price of HK$1.80 per share and the balance of HK$0.9 million was settled by the Company by way of cash payment. The Group also recorded a goodwill of approximately HK$54.6 million as a result of the Acquisition.

Immediately after the Acquisition, the Group holds the entire equity interests in Nova Strategic. Nova Strategic is an investment holding company with its subsidiaries holding 50% interest in the Grand Emperor Hotel in Macau and managing two VIP rooms in the Grand Emperor Hotel.

DISPOSAL OF SUBSIDIARIES

On 29th June, 2007, Lavergem Holdings Limited, a wholly-owned subsidiary of the Company, disposed of the entire interest of Quick Treasure Investments Limited and its subsidiaries (collectively referred to as the "Quick Treasure Group") and the entire shareholder's loan due to the Group by the Quick Treasure Group to a third party at a consideration of approximately HK$129.0 million (the "Disposal") and resulted in a gain of approximately HK$1.1 million.

USE OF PROCEEDS

The proceeds from the Disposal after expenses of HK$0.1 million amounting to approximately HK$128.9 million had been fully utilised to expand the business of the Grand Emperor Hotel during the year under review.

CAPITAL STRUCTURE

As mentioned in the above section headed "Acquisition of Additional Interests of a Subsidiary", the Company allotted and issued 104,774,846 shares of the Company at an issue price of HK$1.80 per share (the "Share Allotment") for the Acquisition. As a result, the share capital and share premium of the Company increased by approximately HK$10,000 and HK$188.6 million respectively.

During the year under review , the Company repurchased its own shares of 22,323,700 shares (the "Share Repurchase") through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at market price and those shares were cancelled shortly after the Share Repurchase. So the share capital of the Company decreased by approximately HK$2,000.

After the Share Allotment and Share Repurchase, the share capital and share premium of the Company as at 31st March, 2008 was approximately HK$101,000 and HK$188.6 million respectively.

CHAIRPERSON'S STATEMENT

LIQUIDITY AND FINANCIAL RESOURCES

During the year under review, the Group mainly funded its operations and capital expenditure through its internally generated cash flow from operations. As at 31st March, 2008, bank borrowings which were denominated in Hong Kong dollars, secured, interest bearing and had fixed repayment term amounted to approximately HK$213.4 million. Advances from related companies totaling approximately HK$6.9 million, which were denominated in Hong Kong dollars, unsecured, interest-free and repayable on demand. Advances from the minority shareholders of a subsidiary of the Company of approximately HK$374.7 million, which were denominated in Hong Kong dollars, unsecured, interest-free and repayable only when the subsidiary has surplus fund.

The Group's current assets and current liabilities as at the end of the year under review were approximately HK$879.2 million and HK$675.3 million respectively. The gearing ratio of the Group (expressed as a percentage of total borrowings over total assets) decreased from 25.3% in the preceding financial year to 17.7%, which was mainly due to repayment of bank borrowings and advances from related companies and the minority shareholders of a subsidiary of the Company during the year under review.

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 31st March, 2008 totaled approximately HK$189.3 million, which were mainly denominated in Hong Kong dollars and Macau Pataca ("MOP"). With the borrowings and bank balances and cash on hand denominated in Hong Kong dollars and Macau Pataca, the Group experienced no significant exposure to foreign exchange rate fluctuation during the year under review.

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

PLEDGE OF ASSETS

As at the end of the year under review, assets with carrying values of approximately HK$1.51 billion were pledged to a bank as security for a banking facility granted to the Group.

CHAIRPERSON'S STATEMENT

COMMITMENTS AND CONTINGENCIES

As at 31st March, 2008, the Group had capital commitments of approximately HK$408.3 million, comprising HK$406.7 million for property development project in Shanghai and HK$1.6 million for property, plant and equipment in the Grand Emperor Hotel in Macau.

In October 2006, the Group commenced legal proceedings against the joint venture partner ("JV Partner") in Shanghai, The People's Republic of China (the "PRC"), for termination of the joint venture agreement ("JV Agreement") in respect of the development of the Group's property in Shanghai ("Project") as a result of the JV Partner's failure to settle the outstanding payment and construction costs in accordance with the terms of the JV Agreement. The Group also claimed against the JV Partner for forfeiture of the JV Partner's contribution to the Project and further contribution by the JV Partner of outstanding payment and construction costs totaling approximately RMB83.6 million (equivalent to approximately HK$92.7 million). The JV Partner contested the proceedings and counterclaimed against the Group for RMB100 million (equivalent to approximately HK$110.9 million) as damages for breach of the JV Agreement. The PRC lawyers representing the Group were of the view that the Group had prospects of successful termination of the JV Agreement, in which event the counterclaim of the JV Partner would also not be supported by court. The legal case is still in the progress as at the end of the year under review. No provision was made by the Group during the year under review.

In January 2007, the Group was sued jointly with its contractor for MOP3.5 million (equivalent to approximately HK$3.4 million) for injuries suffered by a third party in an accident happened in 2005 in the premises of the Grand Emperor Hotel when the hotel was under renovation. The ultimate outcome of the case is not determinable at this stage. No provision was made by the Group as the Group is of the view that the contractor and its insurer should be responsible for paying any damages awarded to the plaintiff.

NUMBER AND REMUNERATION OF EMPLOYEES

The Group's number of employees was 1,032 (2007: 1,118) as at 31st March, 2008. Total staff costs including directors' remuneration for the year under review were approximately HK$158.5 million (2007: HK$149.1 million). All employees are under remuneration policy of fixed monthly salary with discretionary bonus. Staff benefits include contribution to retirement benefit scheme, medical allowance and other fringe benefits.

To provide incentives or rewards to the staff, the Company adopted a share option scheme on 2nd September, 2002. During the year under review, the Company did not grant any option under the share option scheme and the outstanding share options as at the end of the year under review was 10,000,000 share options which were granted to certain Directors in the preceding financial year.

CHAIRPERSON'S STATEMENT

CORPORATE SOCIAL RESPONSIBILITIES

The Grand Emperor Hotel has been putting emphasis on environmental protection ever since its opening in 2006. During the year under review, the hotel has participated in the Macao Green Hotel Award Scheme organised by the Macau government and has set up an Environment Working Committee to deploy new green policies and execute and monitor daily procedures. Some of the more significant moves include implementing a Waste Separation and Recovery Programme, a series of energy saving initiatives that cover air-conditioning system, escalators and lighting as well as minimising single-use and disposable items. Measures have been taken to enhance staff's green awareness and ensure that they all join in the new green policies.

The hotel's green efforts are well received by staff and customers and will serve as a first step for the hotel's future corporate social responsibilities campaigns. Besides, the hotel will also encourage staff involvement in various volunteer activities organised by itself or third parties.

In view of the fast growing economy and the thriving cultural development of Shanghai where the Group has a major development, the Group had during the year under review made an academic subsidy of HK$21.5 million to the Shanghai Institute of Visual Art of Fudan University, as a move to support the local community and academic development of the university.

PROSPECTS

With the opening of the Grand Emperor Hotel in Macau in January 2006, the Group has repositioned itself as a full-scale gaming conglomerate, enjoying significant contributions from gaming and ancillary businesses.

Despite of the competition in the industry, the Group believes in the future growth of Macau's economy and in particular its tourism industry in the long run. With the majority of Macau's tourists coming from Mainland China, the continuous growth in China's economy is expected to benefit Macau's economy and provides a promising outlook and business environment for the Group.

With the Group's experience and well-received brand name – especially in the important mainland China market – the Grand Emperor Hotel has managed to quickly establish a significant presence in Macau. The hotel is well received by hotel guests as well as players in its gaming areas. To further capture the potentials in mass gaming market, the Group plans to convert some of the VIP rooms leased out to third parties to general gaming concourse, a continuously growing segment since its opening.

To better serve the high-end VIP market while at the same time enhance the Group's revenue, the hotel has converted and leased out part of its hotel lobby for opening an additional high-end retail outlet. It is expected to bring in stable revenue and demonstrated the Group's determination in maximising returns for its shareholders.

In relation to the Shanghai property development, the Group has appointed reputable international consultants to handle leasing management and to revise the design of the shopping arcade, with a view to improving pedestrian flow within the complex and thus maximising its investment value. The project, being located in an established tourist area of Shanghai, is expected to generate stable rental revenue for the Group and enhance the Group's balance sheet when it is transformed into an investment property upon completion.

CHAIRPERSON'S STATEMENT

Looking ahead, the Group will closely monitor the industry development and the performance of all its business segments to stay competitive and maximise returns for its shareholders and investors. It will continue to look for expansion possibilities with further utilisation of the Group's execution strength and rich assets in the entertainment industry.

The Board will also continue to monitor the share price of the Company and its underlying net asset value on a regular basis. The Board will consider repurchasing its own shares on the Stock Exchange when the share price represents an attractive discount to its net asset value.

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES

Non-executive Director (Chairperson)

LUK SIU MAN, SEMON, aged 52, graduated from The University of Toronto with a Bachelor's Degree in Commerce. She worked in the banking industry for almost 10 years. She is also the non-executive director and chairperson of Emperor International Holdings Limited ("Emperor International") and Emperor Entertainment Group Limited ("Emperor Entertainment"), the shares of which are listed on the Main Board and the GEM Board of the Stock Exchange respectively. Ms. Luk joined the Company in March 2000.

Executive Director

WONG CHI FAI, aged 52, is an associate of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. He has over 20 years' experience in finance and management spanning a diverse range of businesses from manufacturing to property investment and development. He is also the joint managing director of Emperor International and a director of Emperor Entertainment, New Media Holdings Limited ("New Media") and Emperor Watch & Jewellery Limited ("Emperor Watch & Jewellery"). New Media is a company listed on the Main Board of the Stock Exchange whilst the shares of Emperor Watch & Jewellery shall be listed on the Main Board of the Stock Exchange on 21st July, 2008. Mr. Wong joined the Company in 1991.

Executive Director

FAN MAN SEUNG, VANESSA, aged 45, is a lawyer by profession in Hong Kong and a registered accountant. She also holds a Master's Degree in Business Administration. She is also the joint managing director of Emperor International and a director of Emperor Entertainment, New Media and Emperor Watch & Jewellery. Ms. Fan has over 15 years of experience in management in various businesses including property investment and development, hotel management and publishing. She joined the Company in 1991.

Executive Director and Company Secretary

MOK FUNG LIN, IVY, aged 43, is a lawyer by profession in Hong Kong and the United Kingdom, and holds a Master's Degree in Business Administration. She is also a director and company secretary of Emperor International. Ms. Mok joined the Company in 1993 as Legal Consultant and was appointed executive director of the Company in February 2000.

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES

Independent Non-executive Director

WAN CHOI HA, aged 40, is a solicitor qualified in Hong Kong. She holds a bachelor degree in laws from The University of Hong Kong. She has been practicing in Hong Kong for more than 10 years and is a principal partner of a law firm. She was appointed independent non-executive director of the Company in February 2006.

Independent Non-executive Director

CHAN WILING, YVONNE, aged 43, graduated from the Hong Kong Polytechnic University in 1987 majoring in accountancy. She obtained a Master's Degree in Business Administration from Heriot-Hatt University in Scotland in 1996. She is a fellow member of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. She has about twenty years of experience in accounting, auditing and information security fields and previously worked in two international accounting firm, Touche Ross & Co. and Ernst & Young. She was appointed as independent non-executive director of the Company in September 2004.

Independent Non-executive Director

CHAN SIM LING, IRENE, aged 45, graduated from The University of Hong Kong with a Bachelor's Degree in Laws in 1985. She was appointed as independent non-executive director of the Company in May 1998.

DIRECTORS' REPORT

The Board present their annual report and the audited consolidated financial statements of the Company for the year ended 31st March, 2008.

PRINCIPAL ACTIVITIES

The Company's principal activity is investment holding and the principal activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group and the dividends paid and proposed by the Company for the year ended 31st March, 2008 are set out in the consolidated income statement on page 31 and note 14 to the consolidated financial statements.

INVESTMENT PROPERTIES

As at 31st March, 2008, the Group revalued all of its investment properties on an open market at approximately HK$656,200,000. The increase in fair value of approximately HK$33,500,000 has been credited to the consolidated income statement.

Details of changes in the investment properties of the Group are set out in note 16 to the consolidated financial statements.

A summary of investment properties of the Group as at 31st March, 2008 is set out on page 84.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK$27,309,000.

Details of changes in the property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The contributed surplus of the Company represents the difference between the consolidated net assets of the Company's subsidiaries as at 7th July, 1992, the date on which the group reorganisation became effective, and the nominal value of the Company's shares issued under the group reorganisation, less any dividends subsequently paid out of pre-reorganisation profits and amounts utilised on redemption of shares.

Under the Companies Act 1981 of Bermuda, the contributed surplus of the Company is available for distribution to shareholders. However, a company shall not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

(i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS' REPORT

The Company's reserves available for distribution to shareholders as at 31st March, 2008 represent the aggregate of contributed surplus and accumulated profits amounting to approximately HK$1,379,339,000 (2007: HK$1,459,733,000).

Details of movement in the reserves of the Group during the year are set out on page 34.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year and up to the date of this report were:

Non-executive Director:
Luk Siu Man, Semon *(Chairperson)*

Executive Directors:
Wong Chi Fai
Fan Man Seung, Vanessa
Mok Fung Lin, Ivy

Independent non-executive Directors:
Chan Sim Ling, Irene
Chan Wiling, Yvonne
Wan Choi Ha

Subject to the service contracts hereinafter mentioned, the term of office of each Director, including the independent non-executive Directors, is the period up to his/her retirement by rotation in accordance with the Bye-laws of the Company.

In accordance with Bye-law 87 of the Company's Bye-laws, all Directors, would retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Each of Ms. Luk Siu Man, Semon, Ms. Chan Sim Ling, Irene, Ms. Chan Wiling, Yvonne and Ms. Wan Choi Ha has entered into service contract with the Company in relation to her service as non-executive Director/independent non-executive Director for an initial term of one year commencing from 1st January, 2008 and will continue thereafter until terminated by notice in writing served by either party on the other.

Save as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REPORT

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

As at 31st March, 2008, the interests and short positions of the Directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") of the issued share capital of the Company were as follows:

Long position interests in the Company

(i) *Ordinary shares of HK$0.0001 each of the Company*

Name of director	Capacity/Nature of interests	Number of issued ordinary shares held	Approximate percentage holding
Ms. Luk Siu Man, Semon ("Ms. Semon Luk") *(Note 1)*	Family	439,138,571	43.43%

(ii) *Share options*

Name of director	Capacity	Number of options	Number of underlying shares
Mr. Wong Chi Fai *(Note 2)*	Beneficial owner	5,000,000	5,000,000
Ms. Fan Man Seung, Vanessa *(Note 2)*	Beneficial owner	5,000,000	5,000,000

Notes:

1. 323,391,555 shares and 115,747,016 shares of the Company were held by Worthly Strong Investment Limited ("Worthly Strong") and World Million respectively, indirect wholly-owned subsidiaries of Emperor International. Emperor International was a company with its shares listed in Hong Kong; 47.8% of the shares of EIHL as at 31st March, 2008 were held by Charron Holdings Limited ("Charron"). The entire issued share capital of Charron was held by The A&A Unit Trust, an unit trust under The Albert Yeung Discretionary Trust ("AY Trust"), a discretionary trust set up by Dr. Yeung Sau Shing, Albert ("Dr. Albert Yeung"). Dr. Albert Yeung, as founder of the AY Trust, was deemed to be interested in the 439,138,571 shares held by Worthly Strong and World Million. By virtue of the aforesaid interests of Dr. Albert Yeung, Ms. Semon Luk (spouse of Dr. Albert Yeung and Director of the Company) was also deemed to be interested in the above 439,138,571 shares.

2. The share options were granted to Directors under the share option scheme of the Company.

Save as disclosed above, as at 31st March, 2008, none of the Directors, chief executives of the Company nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations.

SHARE OPTIONS

The Company adopted a share option scheme (the "Scheme") on 2nd September, 2002. Particulars of the Scheme are set out in note 30 to the consolidated financial statements.

Details of movements in the number of share options are set out below:

Name of grantee	Date of grant	Exercise period	Exercise price of the share options	Number of options outstanding as at 1st April, 2007 and as at 31st March, 2008
Mr. Wong Chi Fai	11th August, 2005	11th August, 2005 to 10th August, 2015	HK$2.20	5,000,000
Ms. Fan Man Seung, Vanessa	11th August, 2005	11th August, 2005 to 10th August, 2015	HK$2.20	5,000,000

Save as disclosed herein, no options were granted, lapsed, exercised or cancelled under the Scheme.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable any Director or chief executive of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporates.

DIRECTORS' REPORT

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2008, so far as is known to any Director or chief executive of the Company, the following persons or corporations (other than a Director or chief executive of the Company) who had interests and short positions in the shares or underlying shares 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 were as follows:

Long positions in ordinary shares of HK$0.0001 each of the Company

Name of shareholder	Capacity/ Nature of interests	Number of issued ordinary shares interested in or deemed to be interested	Approximate percentage holding
Emperor International *(Note)*	Interest in a controlled corporation	439,138,571	43.43%
Charron *(Note)*	Interest in a controlled corporation	439,138,571	43.43%
Lion Empire Investments Limited ("Lion Empire") *(Note)*	Interest in a controlled corporation	439,138,571	43.43%
Jumbo Wealth Limited *(Note)*	Trustee	439,138,571	43.43%
Perpetual Wealth Investments Limited *(Note)*	Trustee	439,138,571	43.43%
GZ Trust Corporation ("GZ Trust") *(Note)*	Trustee	439,138,571	43.43%
Dr. Albert Yeung *(Note)*	Founder of the AY Trust	439,138,571	43.43%
Penta Investment Advisers Limited	Investment manager	84,515,000	8.19%
John Zwaanstra	Beneficial owner	84,515,000	8.19%
Julius Baer Investment Management L.L.C.	Investment manager	78,423,817	7.59%

Note: Worthly Strong and World Million, both the indirect wholly-owned subsidiaries of Emperor International, were the registered shareholders of 323,391,555 shares and 115,747,016 shares in the Company respectively. Emperor International was a company with its shares listed in Hong Kong; Charron and Lion Empire were the registered shareholders of 848,515,411 shares and 139,313,953 shares of Emperor International respectively as at 31st March, 2008. The entire issued share capital of Charron was beneficially owned by The A&A Unit Trust, the trustee of which was Jumbo Wealth Limited. The entire issued share capital of Lion Empire was beneficially owned by The A&S Unit Trust, the trustee of which was Perpetual Wealth Investments Limited. Both The A&A Unit Trust and the A&S Unit Trust were under the AY Trust (the trustee of which was GZ Trust). Dr. Albert Yeung, as founder of the AY Trust, was deemed to be interested in the 323,391,555 shares held by Worthly Strong and 115,747,016 shares held by World Million. The above shares were the same shares as those set out in "Directors' and Chief Executives' Interests and Short Positions in Securities" above.

Save as disclosed above, as at 31st March, 2008, the Directors were not aware of any person or corporation (other than the Directors and chief executives of the Company) who had any interests or short positions in shares or underlying shares 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

During the year, the Group had the following transactions with Directors or companies in which certain Directors have beneficial interest:

(a) Connected Transaction

On 12th June, 2007, Courage Wisdom Investment Limited, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with World Million, for acquisition of the remaining 10% interest in the Nova Strategic Group, and the entire shareholder's loan due from Nova Strategic to World Million as at completion at a consideration of not less than HK$170,783,000. The consideration was satisfied by the allotment and issue of 104,774,846 shares of the Company at an issue price of HK$1.80 per share, being the market price at date of completion. The balance of the consideration, being HK$930,279, was settled by the Company by way of cash payment on the completion date of 20th August, 2007. The Nova Strategic Group held 50% interest in the Grand Emperor Hotel in Macau and manages two VIP rooms therein. World Million was an indirect wholly-owned subsidiary of Emperor International, a substantial shareholder of the Company, which was then ultimately owned as to 57.55% by the AY Trust, of which Dr. Albert Yeung is the founder. Ms. Semon Luk, being the spouse of Dr. Albert Yeung and a Director, was deemed to be interested in the transaction. The Company made an announcement on 12th June, 2007 and obtained the approval of independent shareholders in the special general meeting held on 16th August, 2007.

(b) Continuing Connected Transaction

On 24th May, 2006, the Group entered into a tenancy agreement with EWJ Watch and Jewellery Company Limited ("EWJ") as the tenant in relation to the tenancy of the property situated at Shop No. 1 to 4, G/F, Grand Emperor Hotel, No. 112 Avenida Doutor Mario Soares, Macau at a rental of HK$197,595 per month (i.e. HK$2,371,140 per annum) for the year from 1st April, 2006 to 31st March, 2007; HK$208,572 per month (i.e. HK$2,502,864 per annum) from the year from 1st April, 2007 to 31st March, 2008; HK$219,550 per month (i.e. HK$2,634,600 per annum) for the year from 1st April, 2008 to 31st March, 2009; subject to the annual caps of HK$2,371,140, HK$2,502,864 and HK$2,634,600 for the years ended 31st March, 2007, 2008 and 2009 respectively. The rental is exclusive of management fees (if any) and all other outgoings. The aggregate rental income received from EWJ during the year ended 31st March, 2008 was HK$2,502,864. EWJ was ultimately owned as to 72% by the AY Trust, of which Dr. Albert Yeung is the founder, and is therefore an associate of Dr. Albert Yeung, a substantial shareholder of the Company. The transaction constituted a non-exempt continuing connected transaction and is subject to reporting and announcement requirements under the Listing Rules but is exempt from the independent shareholder's approval requirements.

DIRECTORS' REPORT

Confirmation of independent non-executive Directors

The Company's independent non-executive Directors have reviewed the above continuing connected transaction and confirmed that the transaction has been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the relevant agreement governing the transaction that is fair and reasonable and in the interests of the shareholders of the Company as a whole.

Confirmation from auditor of the Company

The Board has received a confirmation from the auditor of the Company with respect to the above continuing connected transaction and the letter stated that for the year ended 31st March, 2008, the above continuing connected transaction:

(i) has been approved by the Board;

(ii) has been entered into in accordance with the terms of the agreement governing the transaction; and

(iii) has not exceeded the cap amount announced by the Company.

Save as disclosed above, no contract of significance to which the Company, or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the five largest customers of the Group accounted for approximately 87.42% of the revenue of the Group. The largest two customers accounted for approximately 84.07% and 1.23% of the Group's revenue respectively. The largest customer is the operator of VIP rooms, gaming concourse and slot machine hall who paid fee for the services rendered by the Group.

The five largest suppliers contributed to approximately 24% of total purchases and services received of the Group during the year. The largest supplier accounted for approximately 10% of the Group's total purchases and service received.

Save as disclosed above, none of the Directors, their associates or any shareholders of the Company which, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital, has a beneficial interest in the share capital of any of the above major customers and suppliers of the Group.

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

During the year, the Company repurchased 22,323,700 shares on the Stock Exchange. All repurchased shares were cancelled. Details of the shares acquired, excluding transaction costs of approximately HK$159,000, are as follows:

Date	Number of repurchased ordinary shares of HK$0.0001 each	Price per share Highest	Price per share Lowest	Total price paid
		HK$	HK$	HK$
18th February, 2008	35,000	1.69	N/A	59,150
19th February, 2008	965,000	1.72	1.71	1,654,800
26th February, 2008	120,000	1.74	N/A	208,800
19th March, 2008	21,203,700	1.70	N/A	36,046,290
	22,323,700			37,969,040

Save as disclosed above, there were no other repurchase, sale or redemption of the Company's listed securities by the Company nor any of its subsidiaries during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

EMOLUMENT POLICY

The emolument policy of the Directors and senior executives of the Company is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the executive Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in note 30 to the consolidated financial statements.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of the independence pursuant to Rule 3.13 of the Listing Rules on the Stock Exchange. The Company considers all of the independent non-executive Directors are independent.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on page 23 to 28.

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company maintained the prescribed public float under the Listing Rules.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Deloitte Touche Tohmatsu as auditor of the Company and authorize the Directors to fix their remuneration.

On behalf of the Board

Luk Siu Man, Semon
Chairperson

Hong Kong
16th July, 2008

CORPORATE GOVERNANCE REPORT

The Directors are committed to maintain a solid, transparent and sensible framework of corporate governance for the Company and its subsidiaries and will continue to review its effectiveness. The Company has fully complied with all the provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the year ended 31st March, 2008.

THE BOARD

Board composition

The Board is responsible for the leadership, control and promotion of the success of the Group by directing and supervising its business operations in the interests of the shareholders and by formulating strategic directions and monitoring the financial and management performance of the Group as well.

As at 31st March, 2008, the Board comprised seven Directors (one non-executive Director who is also the Chairperson of the Company, three executive Directors and three independent non-executive Directors). The biographies of the Directors are set out on pages 12 to 13 of this report under the "Biographies of Directors and Senior Executives" Section.

An induction regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group has been provided to all Directors shortly upon their appointment as Directors of the Company.

A procedure has been approved by the Board to ensure the Directors to seek independent professional advice at the Company's expenses in appropriate circumstances.

Management functions

Ms. Luk Siu Man, Semon, has been appointed as the Chairperson since 2000. With the assistance of the Company Secretary, she is responsible for setting the agenda for each Board meeting, taking into account any matters proposed by the Directors and would ensure all Board members work effectively and discharge his/her responsibility by providing timely, reliable and sufficient information on issues to be discussed at Board meetings. The Board members are properly briefed of the issues discussed and the meeting material is dispatched to the Directors before the meetings. The Company has not appointed a Chief Executive Officer.

The independent non-executive Directors, are all professionals with valuable local and/or international experience in legal, accounting, auditing or information security field, contribute to the Group by sharing their independent opinion and judgement on issues to be discussed at Board meetings.

The management team, with years of unique experience in hotel management, gaming and entertainment facilities management, and property development, implements the decisions from the Board and proposes management proposals for the Board's consideration. The team assumes full accountability to the Board for all operations of the Group.

CORPORATE GOVERNANCE REPORT

Independent Non-executive Directors

The independent non-executive Directors are appointed for an initial term of one year commencing from 1st January, 2008, with all the terms being renewed automatically for successive terms of one year each commencing from the date next after the expiry of the current terms, unless terminated by notice in writing served by either party. Pursuant to the Bye-laws of the Company, all Directors for the time being shall retire from office at each annual general meeting and being eligible for re-election.

The Company has received a confirmation of independence from each of the independent non-executive Directors. The Board considers each of them to be independent by reference to the factors stated in the Listing Rules. The independent non-executive Directors have been expressly identified as such in all corporate communications of the Company that disclose the names of Directors.

Board Meetings

The Board held six board meetings during the year ended 31st March, 2008 with the attendance of each Director as follows:

Name of director	Meetings attended/ No. of Board meeting	Attendance rate
Non-executive Directors		
Luk Siu Man, Semon *(Chairperson)*	6/6	100.00%
Executive Directors		
Wong Chi Fai	5/6	83.33%
Fan Man Seung, Vanessa	6/6	100.00%
Mok Fung Lin, Ivy	6/6	100.00%
Independent Non-executive Directors		
Chan Sim Ling, Irene	6/6	100.00%
Chan Wiling, Yvonne	6/6	100.00%
Wan Choi Ha	6/6	100.00%

Board meeting notice was sent to the Directors at least 14 days prior to regular meeting. The Directors also have access to the advice and services of the Company Secretary and key officers of the Company Secretarial team regarding the Board procedures, and all applicable rules and regulations in respect of the meetings are followed. Draft and final versions of the minutes of Board meetings and Board committee meetings, drafted in sufficient details by the secretary of the meetings, were circulated to the Directors for their comment and record respectively. Originals of such minutes, being kept by the Company Secretary, are open for inspection at any reasonable time on reasonable notice by any Directors. A procedure has been approved by the Board to enable Directors to seek independent professional advice at the Company's expenses in appropriate circumstances.

The Company has adopted a code of conduct regarding securities transactions by Directors and senior executives on no less terms than the required standard of dealings set out in Appendix 10 of the Listing Rules. Having made specific enquiry to all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct.

Delegation by the Board

To assist the Board in execution of its duties and facilitate effective management, certain functions of the Board have been delegated by the Board to the Audit Committee and Remuneration Committee. The Audit Committee and the Remuneration Committee were established on 15th September, 2004 and 11th July, 2005 respectively. The Committees consist mainly of independent non-executive Directors. Clear written terms of reference are given to these two Committees and details of these two Committees are set out in the paragraphs "Audit Committee" and "Remuneration Committee" below. The Company has not established any nomination committee.

1. *Audit Committee*

The Audit Committee consists of three independent non-executive Directors, namely Ms. Chan Sim Ling, Irene (Chairperson of the Audit Committee), Ms. Chan Wiling, Yvonne and Ms. Wan Choi Ha. They are all professionals possess local and/or international experience in legal, accounting, auditing or information security experience. The specific written terms of reference of the Audit Committee are available in the Company's website: www.emp296.com. The Audit Committee is primarily responsible for making recommendations to the Board on the appointment and removal of the external auditor, to approve the remuneration and terms of engagement of external auditor, review financial information and oversight of the financial reporting system and internal control procedures.

The Audit Committee convened three meetings during the year ended 31st March, 2008 with the attendance of each member as follows:

Name of Committee members	Meetings attended/ No. of meeting	Attendance rate
Chan Sim Ling *(Chairperson)*	3/3	100%
Chan Wiling, Yvonne	3/3	100%
Wan Choi Ha	3/3	100%

A summary of the work performed by the Audit Committee during the year ended 31st March, 2008 is set out below:

i. reviewed with the external auditor and the senior management of the audit plans for the year ended 31st March, 2008;

ii. reviewed with the senior management and/or the external auditor the accounting principles and practices adopted by the Group, the accuracy and fairness of the annual and interim financial statements for the year ended 31st March, 2007 and for the six months ended 30th September, 2007 respectively;

iii. reviewed with the external auditor the impact to the Group in respect of the amendments to the accounting principles and standards;

CORPORATE GOVERNANCE REPORT

iv. reviewed with the senior management the effectiveness of the internal control system of the Group;

v. reviewed the external auditor's independence and the effectiveness of the audit process;

vi. approved the audit fees for the financial year 2006-2007 and recommended to the Board on the re-appointment of external auditor; and

vii. meeting with the external auditor and reviewed their work and findings relating to the annual audit.

2. *Remuneration Committee*

The Remuneration Committee consists of three members namely Mr. Wong Chi Fai, an executive Director, and two independent non-executive Directors, Ms. Chan Sim Ling, Irene and Ms. Chan Wiling, Yvonne. The Remuneration Committee is chaired by Mr. Wong Chi Fai. The major responsibility of the Remuneration Committee is assisting the Board to attract, retain and motivate high calibre executives, and making recommendations on the establishment of a formal and transparent procedure for developing remuneration policy. Details of the remuneration of each of the Directors for the year ended 31st March, 2008 are set out in note 11 to the consolidated financial statements. The specific written terms of reference of the Remuneration Committee are available in the Company's website: www.emp296.com.

The Remuneration Committee convened two meetings during the year ended 31st March, 2008 with the attendance of each member as follows:

Name of Committee members	**Meetings attended/ No. of meeting**	**Attendance rate**
Wong Chi Fai *(Chairman)*	2/2	100%
Chan Sim Ling, Irene	2/2	100%
Chan Wiling, Yvonne	2/2	100%

A summary of the work performed by the Remuneration Committee during the year ended 31st March, 2008 is set out as follows:

i. reviewed the Directors' remuneration structure for the year ended 31st March, 2007;

ii. determined the specific remuneration packages of all executive Directors; and

iii. made recommendation to the Board on the remuneration of all non-executive Directors.

INTERNAL CONTROL

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system. The internal control system is implemented to minimise the risks to which the Group is exposed and used as a management tool for the day-to-day operation of business. The system can only provide reasonable but not absolute assurance against misstatements or losses.

During the year ended 31st March, 2008, the Company had formulated an internal self-assessment process of all material controls including financial, operational and compliance controls and risk management functions and the internal audit department is assigned with the task to perform regular reviews on selected systems of the Group and would report audit review findings or irregularities, if any, to the management and advise on the implementation of necessary steps of systems to enhance operational or financial controls. The Audit Committee assists the Board in evaluating the effectiveness of the system.

During the year under review, the management had analysed the control environment and risk assessment, identified the various control systems implemented and agreed with the Audit Committee on the scope of review. The approach of the review includes conducting interviews with relevant management and staff members, reviewing relevant documentation of the internal control system and evaluating findings on any deficiencies in the design of the internal controls and developing recommendations for improvement, where appropriate.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge that it is their responsibilities to prepare the accounts of the Group and other financial disclosures required under the Listing Rules and the management will provide information and explanation to the Board to enable it to make an informed assessment of the financial and other Board decisions.

COMMUNICATION WITH SHAREHOLDERS

The Company communicates with the shareholders of the Company mainly in the following ways: (i) the holding of annual general meetings which provide an opportunity for the shareholders of the Company to raise questions to the Board on the business of the Group, if any, (ii) the issuance of announcements, annual reports, interim reports and/or circulars as required under the Listing Rules and press releases of the Company providing up-dated information of the Group; (iii) the availability of latest information of the Group in our website; and (iv) the holding of press conference from time to time. There is regular dialogue with institutional shareholders and general presentations are made when financial results are announced. Shareholders and investors of the Company are welcome to visit the Company's website and raise enquiries through our Investor Relations Department whose contract details are available on the website.

The Chairperson of the annual general meeting and chairman/member of the Audit Committee and Remuneration Committee were available at the annual general meeting held on 20th September, 2007 to answer questions from the shareholders of the Company.

CORPORATE GOVERNANCE REPORT

Voting by Poll

The rights to demand a poll were set out in the circular dispatched to the shareholders during the year. The chairperson of the annual general meeting held on 20th September, 2007 and the special general meetings held on 21st June, 2007 and 16th August, 2007 had explained the rights and procedures to demand a poll.

AUDITOR'S REMUNERATION

During the year under review, the remuneration paid to the Company's auditor, Messrs. Deloitte Touche Tohmatsu, is set out as follows:

Service rendered	**Fees paid/payable**
	HK$'000
Audit services	2,796

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF EMPEROR ENTERTAINMENT HOTEL LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Emperor Entertainment Hotel Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 82, which comprise the consolidated balance sheet as at 31st March, 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st March, 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
16th July, 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2008

	Notes	2008 HK$'000	2007 HK$'000
Continuing operations			
Revenue	7	**1,255,133**	1,186,689
Cost of sales		**(35,015)**	(34,945)
Cost of hotel and gaming operations		**(198,291)**	(164,985)
Gross profit		**1,021,827**	986,759
Gain on fair value change in investment properties		**33,500**	171,100
Other income		**24,329**	10,674
Selling and marketing expenses		**(71,396)**	(65,066)
Commission expenses in gaming operations		**(434,487)**	(449,909)
Administrative expenses		**(198,492)**	(198,625)
Finance costs	9	**(35,211)**	(46,658)
Profit before taxation	10	**340,070**	408,275
Taxation	12	**(33,642)**	(34,102)
Profit for the year from continuing operations		**306,428**	374,173
Discontinued operation			
(Loss) profit for the year from discontinued operation	13	**(6,507)**	34,945
Profit for the year		**299,921**	409,118
Attributable to:			
Equity holders of the Company		**202,458**	272,493
Minority interests		**97,463**	136,625
		299,921	409,118
Dividends	14		
– Interim paid		**41,342**	37,151
– Final paid		**82,684**	18,575
		124,026	55,726
– Final proposed		**40,449**	74,302
Earnings per share	15		
– From continuing and discontinued operations			
Basic		**HK$0.20**	HK$0.29
Diluted		**HK$0.20**	HK$0.29
– From continuing operations			
Basic		**HK$0.21**	HK$0.26
Diluted		**HK$0.21**	HK$0.26

CONSOLIDATED BALANCE SHEET

At 31st March, 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Investment properties	16	**656,200**	681,200
Property, plant and equipment	17	**867,423**	986,217
Prepaid lease payments	18	**304,010**	307,640
Property under development	19	**554,215**	485,671
Prepayment for acquisition of property, plant and equipment		**35,646**	2,288
Goodwill	20	**72,938**	18,301
		2,490,432	2,481,317
Current assets			
Inventories, at cost		**4,950**	4,046
Trade and other receivables	21	**677,196**	494,647
Prepaid lease payments	18	**7,732**	7,619
Amount due from a related company	22	**–**	968
Bank balances and cash	23	**189,280**	216,442
		879,158	723,722
Current liabilities			
Trade and other payables	24	**456,207**	404,776
Amounts due to related companies	25	**6,875**	103,906
Amounts due to minority shareholders of a subsidiary	26	**122,036**	125,720
Taxation payable		**48,261**	18,130
Secured bank borrowings – amounts due within one year	27	**41,880**	39,845
		675,259	692,377
Net current assets		**203,899**	31,345
Total assets less current liabilities		**2,694,331**	2,512,662

CONSOLIDATED BALANCE SHEET

At 31st March, 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current liabilities			
Amounts due to minority shareholders of a subsidiary	26	**252,678**	328,492
Secured bank borrowings – amounts due after one year	27	**171,569**	213,031
Deferred taxation	28	**76,970**	73,459
		501,217	614,982
Net assets		**2,193,114**	1,897,680
Capital and reserves			
Share capital	29	**101**	93
Reserves	31	**1,713,138**	1,459,130
Equity attributable to equity holders of the Company		**1,713,239**	1,459,223
Minority interests	32	**479,875**	438,457
Total equity		**2,193,114**	1,897,680

The consolidated financial statements on pages 31 to 82 were approved and authorised for issue by the Board of Directors on 16th July, 2008 and are signed on its behalf by:

Wong Chi Fai
Director

Fan Man Seung, Vanessa
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2008

	Attributable to equity holders of the Company										
	Share capital HK$'000	**Share premium** HK$'000	**Capital redemption reserve** HK$'000	**Contributed surplus** HK$'000 *(note 31(a))*	**Share option reserve** HK$'000	**Legal reserve** HK$'000 *(note 31(b))*	**Translation reserve** HK$'000	**Accumulated profits** HK$'000	**Total** HK$'000	**Minority interests** HK$'000	**Total equity** HK$'000
At 1st April, 2006	93	–	666	1,048,335	3,964	44	15,120	159,223	1,227,445	281,648	1,509,093
Exchange difference arising on translation of foreign operations recognised directly in equity	–	–	–	–	–	–	15,011	–	15,011	–	15,011
Profit for the year	–	–	–	–	–	–	–	272,493	272,493	136,625	409,118
Total recognised income for the year	–	–	–	–	–	–	15,011	272,493	287,504	136,625	424,129
Capital contribution arising from changes in cash flow estimates on amounts due to minority shareholders of a subsidiary *(note 26)*	–	–	–	–	–	–	–	–	–	41,103	41,103
Adjustment to capital contribution initially recognised resulting from change in terms *(note 26)*	–	–	–	–	–	–	–	–	–	(20,919)	(20,919)
2006 final dividend paid in cash	–	–	–	(18,575)	–	–	–	–	(18,575)	–	(18,575)
2007 interim dividend paid in cash	–	–	–	(37,151)	–	–	–	–	(37,151)	–	(37,151)
At 31st March, 2007	93	–	666	992,609	3,964	44	30,131	431,716	1,459,223	438,457	1,897,680
Exchange difference arising on translation of foreign operations recognised directly in equity	–	–	–	–	–	–	25,115	–	25,115	–	25,115
Profit for the year	–	–	–	–	–	–	–	202,458	202,458	97,463	299,921
Total recognised income for the year	–	–	–	–	–	–	25,115	202,458	227,573	97,463	325,036
Issue of shares	10	188,585	–	–	–	–	–	–	188,595	–	188,595
Arising on acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	(54,888)	(54,888)
Repurchase of shares	(2)	–	2	–	–	–	–	(38,126)	(38,126)	–	(38,126)
Capital contribution arising from changes in cash flow estimates on amounts due to minority shareholders of a subsidiary *(note 26)*	–	–	–	–	–	–	–	–	–	(1,157)	(1,157)
Transfer from accumulated profits to legal reserve	–	–	–	–	–	243	–	(243)	–	–	–
2007 final dividend paid in cash	–	–	–	(82,684)	–	–	–	–	(82,684)	–	(82,684)
2008 interim dividend paid in cash	–	–	–	(41,342)	–	–	–	–	(41,342)	–	(41,342)
At 31st March, 2008	**101**	**188,585**	**668**	**868,583**	**3,964**	**287**	**55,246**	**595,805**	**1,713,239**	**479,875**	**2,193,114**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2008

	Notes	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Profit before taxation		**333,563**	443,220
Adjustments for:			
Gain on disposal of subsidiaries in discontinued operation		**(1,145)**	–
Interest income		**(6,402)**	(5,401)
Interest expenses		**16,287**	28,637
Imputed interest expense		**18,924**	18,021
Depreciation of property, plant and equipment		**73,971**	72,644
Allowance for bad and doubtful debts		**16,867**	9,578
Release of prepaid lease payments		**6,464**	6,465
Gain on fair value change in investment properties		**(33,500)**	(171,100)
Gain on disposal of property, plant and equipment		**(757)**	(350)
Operating cash flows before movements in working capital		**424,272**	401,714
Increase in inventories		**(2,688)**	(899)
Increase in trade and other receivables		**(200,571)**	(180,335)
(Increase) decrease in amount due from a related company		**(2,677)**	10,379
Increase in trade and other payables		**25,522**	55,250
Increase (decrease) in amounts due to related companies		**5,171**	(4,590)
Net cash generated from operating activities		**249,029**	281,519
Cash flows from investing activities			
Interest received		**6,402**	5,401
Additions to property, plant and equipment		**(25,465)**	(50,832)
Additions to property under development		**(12,255)**	(3,371)
Prepayment for acquisition of property, plant and equipment		**(35,201)**	(2,288)
Proceeds on disposal of property, plant and equipment		**3,622**	1,467
Acquisition of additional interest in a subsidiary	29(a)	**(930)**	–
Proceeds on disposal of subsidiaries (net of cash and cash equivalents disposed of)	13	**126,975**	–
Net cash generated from (used in) investing activities		**63,148**	(49,623)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2008

	2008 HK$'000	2007 HK$'000
Cash flows from financing activities		
Dividend paid	**(124,026)**	(55,726)
Repayments to related companies	**(22,202)**	(36,405)
Repayments of bank loans	**(39,427)**	(35,689)
Interest paid	**(16,287)**	(27,477)
Repayments to minority shareholders of a subsidiary	**(99,579)**	(24,081)
Repurchase of shares	**(38,126)**	–
Net cash used in financing activities	**(339,647)**	(179,378)
Net (decrease) increase in cash and cash equivalents	**(27,470)**	52,518
Cash and cash equivalents at the beginning of the year	**216,442**	163,903
Effect of foreign exchange rate changes	**308**	21
Cash and cash equivalents at the end of the year	**189,280**	216,442
Analysis of balance of cash and cash equivalents at the end of the year		
Bank balances and cash	**189,280**	216,442

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The consolidated financial statements are presented in Hong Kong dollars which is the functional currency of the Company. The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 37.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

In the current year, the Group has applied, for the first time, the following new Standard, Amendment to Hong Kong Accounting Standards ("HKASs") and Interpretations ("HK(IFRIC) – INT") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (collectively referred to as "new HKFRSs"), which are effective for the Group's financial year beginning 1st April, 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of embedded derivatives
HK(IFRIC) – INT 10	Interim financial reporting and impairment
HK(IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") – CONTINUED

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statements[2]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[1]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 8	Operating segments[1]
HK(IFRIC) – INT 12	Service concession arrangements[3]
HK(IFRIC) – INT 13	Customer loyalty programmes[4]
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction[3]

[1] Effective for annual periods beginning on or after 1st January, 2009.
[2] Effective for annual periods beginning on or after 1st July, 2009.
[3] Effective for annual periods beginning on or after 1st January, 2008.
[4] Effective for annual periods beginning on or after 1st July, 2008.

The adoption of HKFRS 3 (Revised) may effect the accounting treatment for business combination for which the acquisition date is on or after the beginning of the first annual report period beginning on or after 1st July, 2009. HKAS 23 (Revised) may affect the accounting treatment of borrowing costs recognised on or after the beginning of the first annual report period beginning on or after 1st January, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other standards or interpretations will have no material impact on the results or financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRS issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments which are measured at fair values as explained in the accounting policies set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year. Control is achieved where the Company has the power to govern financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group company transactions and balances within the Group have been eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Acquisition of additional interest of subsidiaries

Acquisition of additional interest of subsidiaries that do not result in change in control do not fall within the definition of business combination under HKFRS 3. The excess of the cost of acquisition over the fair values of assets and liabilities of the subsidiary attributable to the additional interest acquired is recognised as goodwill.

Goodwill

Goodwill arising on an acquisition of subsidiaries for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment loss.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Goodwill – continued

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGU"s), or groups of CGUs, that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of subsidiaries, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investment properties

Investment properties are properties held to earn rental and for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is transferred to property, plant and equipment when it is evidenced by the commencement of owner's occupation. The fair value, at the date of transfer, is the deemed cost of the property for subsequent accounting in accordance with HKAS 16 Property, plant and equipment. The property interest held under an operating lease which was previously classified as investment property under the fair value model is continued to account for as a finance lease after the transfer.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

Depreciation is provided to write off the cost of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account their estimated residual value, using the straight line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from continued use of the asset. The gain or loss arising from derecognition of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as expenses in the period in which they are incurred.

Impairment of assets (other than goodwill and financial assets)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Impairment of assets (other than goodwill and financial assets) – continued

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories represent food and beverage, consumable and other goods of hotel and cruise and are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are mainly classified into loans and receivables. The accounting policies adopted in respect of loans and receivables are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a related company and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial assets – continued

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted. Objective evidence of impairment could include significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss of loans and receivables is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment being reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables, amounts due to related companies, amounts due to minority shareholders of a subsidiary and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for revenue earned in the normal course of business and includes the following items:

Revenue arising from service provided for gaming operations in mass market halls, slot machine hall and VIP rooms is recognised when the relevant services have been rendered and the Group is entitled to the share of gaming wins from the gaming operator.

Revenue from hotel and cruise accomodation are recognised upon the provision of the accomodation services. Revenue from food and beverage sales and other ancillary services are recognised upon the provision of goods and services.

Rental income from gaming hall in the cruise represents fixed rental and contingent rental income at a percentage of net profit generated by the lessee. Contingent rental income is recognised as income in the periods in which the underlying gaming wins are generated by the lessee. Fixed rental income is recognised as income on a straight line basis over the terms of the relevant leases.

Service income is recognised when the services are provided.

Interest income from financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred taxation.

The taxation currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable and deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred taxation liabilities are generally recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Taxation – continued

The carrying amount of deferred taxation assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred taxation is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing as at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Share-based payment transactions

For share options granted to employees, the fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Operating leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the lessees.

All other leases are classified as operating leases and the annual rental receipts or payments are credited or charged to the consolidated income statement on a straight line basis over the term of the relevant leases.

Leasehold land and buildings

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification. Leasehold land, which title is not expected to pass to the lessee by the end of the lease term, is classified as operating lease unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease.

Retirement benefit costs

Payments to retirement benefit schemes other than the costs attributable to the development of the properties, which are capitalised as part of the cost of qualified assets, are charged as an expense when employees have rendered service entitling them to the contributions.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3, the management has made judgements that have significant effect on the accounts recognised in the consolidated financial statements. The key assumption concerning the future, and other key source of estimation uncertainty at the balance sheet date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimates of repayment of amounts due to minority shareholders of a subsidiary

The Group's carrying amount of the interest-free portion of the amounts due to minority shareholders of a subsidiary as at 31st March, 2008 was HK$374,714,000 (2007: HK$377,133,000). According to the shareholders' agreements, these amounts are repayable only when the indirectly non-wholly owned subsidiary, Luck United Holdings Limited, and its subsidiaries have surplus fund. Surplus fund represents available cash within these subsidiaries after payment of all operating expenses and payable including but not limited to bank loans and third party loans which are due for repayment together with the accrued interest. As at 31st March, 2008, the Group revised its estimates of repayment of the amounts due to minority shareholders of a subsidiary and the Group adjusted the carrying amount of the amounts due to minority shareholders of a subsidiary to reflect the revised estimated cash flows. The Group recalculated the carrying amount by computing the present value of estimated future cash flows at the original effective interest rate of 5%. This resulted in an increase of HK$1,157,000 (2007: decrease of HK$41,103,000) being adjusted to the carrying amount of the amounts due to minority shareholders of a subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – CONTINUED

Estimated provision for impairment of trade receivables

The Group makes allowance for bad and doubtful debts based on an assessment of the recoverability of debtors. Allowances are made on trade receivables whenever there is any objective evidence that the balances may not be collectible. In determining whether an allowance for bad and doubtful debts is required, the Group takes into consideration the aging status and the likelihood of collection. Following the identification of doubtful debts, the responsible people discuss with the relevant customers and report on the recoverability. Specific allowance is only made for trade receivables that are unlikely to be collected. Where the expectation on the recoverability of the debts is different from the original estimate, such difference will impact the carrying amounts of debtors and doubtful debt expenses in the periods in which such estimate has been changed.

The carrying amount of trade receivables at 31st March, 2008 is HK$486,346,000 (net of allowance for bad and doubtful debts of HK$26,445,000) (2007: HK$359,250,000 (net of allowance for bad and doubtful debts of HK$9,667,000)).

Depreciation and amortisation

The Group's carrying amount of hotel property as at 31st March, 2008 was HK$584,902,000 (2007: HK$542,161,000). The Group depreciates its hotel property over its estimated useful life, using the straight line method, commencing from the date the hotel property is ready for intended use. The estimated useful life of the hotel property reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's hotel property.

Estimated impairment of goodwill

In note 20, determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the amounts due to minority shareholders of a subsidiary as disclosed in note 26, borrowings disclosed in note 27, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the debt raising.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2008 HK$'000	2007 HK$'000
Financial assets		
Loans and receivables		
Trade and other receivables	**669,029**	484,812
Amount due from a related company	**–**	968
Bank balances and cash	**189,280**	216,442
	858,309	702,222
Financial liabilities		
Amortised cost		
Trade and other payables	**151,984**	132,506
Amounts due to related companies	**6,875**	103,906
Amounts due to minority shareholders of a subsidiary	**374,714**	454,212
Bank borrowings	**213,449**	252,876
	747,022	943,500

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from a related company, bank balances and cash, trade and other payables, amounts due to related companies and minority shareholders of a subsidiary and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cashflows. The management considers the Group does not expose to significant foreign currency risk as the Group is mainly exposed to fluctuation in exchange rate of Macau Pataca ("MOP") against Hong Kong dollars. Exposures on balances which are denominated in MOP in group entities with Hong Kong dollars as functional currency, are not considered significant as MOP is pegged to Hong Kong dollars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

6. FINANCIAL INSTRUMENTS – CONTINUED

(b) Financial risk management objectives and policies – continued

Market risk – continued

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings. The Group currently does not have policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group's sensitivity to cash flow interest rate risk has been determined based on the exposure to interest rate for the variable rate bank borrowings at the balance sheet date and the reasonably possible change taking place at the beginning of each year and held constant throughout the respective year.

If interest rate had been 100 basis points higher and all other variables were held constant, the potential effect on profit for the year is as follows:

	2008	2007
	HK$'000	HK$'000
Decrease in profit for the year		
– Interest bearing portion of loans from minority shareholders of a subsidiary	**–**	(771)
– Secured bank borrowings	**(2,135)**	(2,529)
	(2,135)	(3,300)

If interest rate had been 100 basis points lower and all other variables were held constant, the potential effect on profit would be equal and opposite.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31st March, 2008 in relation to each class of recognised financial asset is the carrying amount of those assets as stated in the consolidated balance sheet and contingent liabilities as disclosed in note 35. In order to manage the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date based on the management knowledge of customers and their creditability and repayment record to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

6. FINANCIAL INSTRUMENTS – CONTINUED

(b) Financial risk management objectives and policies – continued

Credit risk – continued

The Group has concentration of credit risk as 14.45% (2007: 22.91%) and 15.55% (2007: 23.41%) of the total trade receivables which was due from the Group's largest customer and the five largest customers respectively within the hotel and gaming operations business segment. The remaining trade receivables balances are spread over numbers of customers.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31st March, 2008, the Group has available unutilised overdraft and bank loan facilities of HK$100,000,000 (2007: HK$100,000,000).

The following table details the Group's and remaining contractual maturity for its financial liabilities that will result in cash out flow. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

6. FINANCIAL INSTRUMENTS – CONTINUED

(b) Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity and interest risk tables

	Weighted average effective interest rate	Less than 1 month or repayable on demand	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Adjustments	Total carrying amounts
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2008								
Creditors and other payables	**N/A**	**150,915**	**127**	**942**	**–**	**151,984**	**–**	**151,984**
Amounts due to related companies	**N/A**	**6,875**	**–**	**–**	**–**	**6,875**	**–**	**6,875**
Amounts due to minority shareholders of a subsidiary	**5.00%**	**127,996**	**–**	**–**	**299,504**	**427,500**	**(52,786)**	**374,714**
Secured bank borrowings	**6.09%**	**4,206**	**12,619**	**33,652**	**186,453**	**236,930**	**(23,481)**	**213,449**
		289,992	**12,746**	**34,594**	**485,957**	**823,289**	**(76,267)**	**747,022**
2007								
Creditors and other payables	N/A	131,089	1,350	67	–	132,506	–	132,506
Amounts due to related companies	N/A	103,906	–	–	–	103,906	–	103,906
Amounts due to minority shareholders of a subsidiary								
– interest bearing portion	5.00%	77,305	–	–	–	77,305	(226)	77,079
– non-interest bearing portion	5.00%	58,500	–	–	391,500	450,000	(72,867)	377,133
Secured bank borrowings	5.27%	6,023	12,958	34,555	243,387	296,923	(44,047)	252,876
		376,823	14,308	34,622	634,887	1,060,640	(117,140)	943,500

(c) Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis, using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of all financial assets and financial liabilities recorded at amortised cost at the respective balance sheet dates approximate their corresponding fair values.

7. REVENUE

An analysis of the Group's revenue is as follows:

	2008	2007
	HK$'000	HK$'000
Continuing operations		
Hotel and gaming operations		
Service income from gaming operation in VIP rooms	**622,449**	654,884
Service income from gaming operation in mass market halls	**257,432**	197,969
Service income from gaming operation in slot machine hall	**45,343**	42,262
Hotel room income	**82,702**	71,489
Marketing and promotion income	**103,245**	106,821
Food and beverage sales	**70,176**	58,311
Rental income from investment properties	**55,275**	44,272
Others	**18,511**	10,681
	1,255,133	1,186,689
Discontinued operation		
Cruise and cruise-related operations		
Rental income from gaming hall	**15,092**	120,966
Food and beverage sales	**240**	965
Room rental income	**72**	364
Others	**892**	1,023
	16,296	123,318
	1,271,429	1,310,007

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

8. 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 and geographical segments as the secondary reporting format. Analysis of the Group's business and geographical segmental information are as follows:

Business segments

2008

	Continuing operations			Discontinued operation	
	Hotel and gaming operations HK$'000	Property development HK$'000	Total HK$'000	Cruise and cruise-related operations HK$'000	Consolidated HK$'000
REVENUE	1,255,133	–	1,255,133	16,296	1,271,429
RESULTS					
Segment results	393,503	7,276	400,779	(7,652)	393,127
Finance costs	(19,166)	–	(19,166)	–	(19,166)
Unallocated corporate income			6,376	–	6,376
Unallocated corporate expenses			(47,919)	–	(47,919)
Profit before taxation			340,070	(7,652)	332,418
Taxation			(33,642)	–	(33,642)
Gain on disposal of discontinued operation			–	1,145	1,145
Profit for the year			306,428	(6,507)	299,921
BALANCE SHEET					
Assets					
Segment assets	2,558,889	620,766	3,179,655	–	3,179,655
Unallocated corporate assets					189,935
					3,369,590
Liabilities					
Segment liabilities	337,446	165,907	503,353	–	503,353
Amounts due to related companies	3,123	–	3,123	–	3,123
Amounts due to minority shareholders of a subsidiary	374,714	–	374,714	–	374,714
Deferred taxation					76,970
Unallocated corporate liabilities					218,316
					1,176,476
OTHER INFORMATION					
Additions to property under development and property, plant and equipment	26,706	23,102	49,808	120	49,928
Allowance for bad and doubtful debts	16,867	–	16,867	–	16,867
Release of prepaid lease payments	6,464	–	6,464	–	6,464
Depreciation of property, plant and equipment	72,118	129	72,247	1,724	73,971
Gain on disposal of property, plant and equipment	767	–	767	–	767
Loss on disposal of property, plant and equipment	–	–	–	(10)	(10)

8. SEGMENT INFORMATION – CONTINUED

Business segments – continued

2007

	Continuing operations			Discontinued operation	
	Hotel and gaming operations HK$'000	Property development HK$'000	Total HK$'000	Cruise and cruise-related operations HK$'000	Consolidated HK$'000
REVENUE	1,186,689	–	1,186,689	123,318	1,310,007
RESULTS					
Segment results	463,486	(4,053)	459,433	34,945	494,378
Finance costs	(30,100)	–	(30,100)	–	(30,100)
Unallocated corporate income			5,401	–	5,401
Unallocated corporate expenses			(26,459)	–	(26,459)
Profit before taxation			408,275	34,945	443,220
Taxation			(34,102)	–	(34,102)
Profit for the year			374,173	34,945	409,118
BALANCE SHEET					
Assets					
Segment assets	2,305,783	548,169	2,853,952	133,989	2,987,941
Unallocated corporate assets					217,098
					3,205,039
Liabilities					
Segment liabilities	254,270	141,738	396,008	7,440	403,448
Amounts due to related companies	68,026	–	68,026	–	68,026
Amounts due to minority shareholders of a subsidiary	454,212	–	454,212	–	454,212
Deferred taxation					73,459
Unallocated corporate liabilities					308,214
					1,307,359
OTHER INFORMATION					
Additions to property under development and property, plant and equipment	49,367	145,030	194,397	2,341	196,738
Allowance for bad and doubtful debts	9,578	–	9,578	–	9,578
Release of prepaid lease payments	6,465	–	6,465	–	6,465
Depreciation of property, plant and equipment	65,912	30	65,942	6,702	72,644
Gain on disposal of property, plant and equipment	350	–	350	–	350

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

8. SEGMENT INFORMATION – CONTINUED

Geographical segments

Revenue from the Group's continuing operations was derived principally from Macau. Revenue from the Group's discontinued cruise and cruise-related operations was derived principally from International waters (2008: HK$15,092,000, 2007: HK$120,966,000) and Hong Kong (2008: HK$1,204,000, 2007: HK$2,352,000).

The following is an analysis of the carrying amount of segment assets, and additions to property under development and property, plant and equipment analysed by the geographical area in which the assets are located. In the case of cruise and cruise-related operations, the geographical area of location is regarded as international waters:

	Carrying amount of segment assets		**Additions to property under development and property, plant and equipment**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Macau	**2,717,914**	2,516,967	**26,706**	49,367
The People's Republic of China ("PRC")	**646,365**	551,337	**23,102**	145,030
Hong Kong	**5,228**	7,024	**–**	540
Other Asia Pacific areas, including International waters	**–**	129,511	**120**	1,801
Other areas	**83**	200	**–**	–
	3,369,590	3,205,039	**49,928**	196,738

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

9. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interests on:						
– bank borrowings						
• wholly repayable within five years	**14,375**	–	**–**	–	**14,375**	–
• not wholly repayable within five years	**–**	14,201	**–**	–	**–**	14,201
– amount due to a related company	**1,670**	2,357	**–**	–	**1,670**	2,357
– amounts due to minority shareholders of a subsidiary	**242**	12,079	**–**	–	**242**	12,079
Imputed interest expense on amounts due to minority shareholders of a subsidiary	**18,924**	18,021	**–**	–	**18,924**	18,021
Total	**35,211**	46,658	**–**	–	**35,211**	46,658

10. PROFIT BEFORE TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit before taxation has been arrived at after charging:						
Allowance for bad and doubtful debts	**16,867**	9,578	**–**	–	**16,867**	9,578
Auditor's remuneration	**2,713**	3,145	**83**	362	**2,796**	3,507
Depreciation of property, plant and equipment	**72,247**	65,943	**1,724**	6,701	**73,971**	72,644
Release of prepaid lease payments	**6,464**	6,465	**–**	–	**6,464**	6,465
Staff costs, including directors' remuneration and retirement benefit scheme contributions *(note 11)*	**152,652**	128,473	**5,833**	20,616	**158,485**	149,089
Loss on disposal of property, plant and equipment	**–**	–	**10**	–	**10**	–
and after crediting:						
Gain on disposal of property, plant and equipment	**767**	350	**–**	–	**767**	350
Interest income from						
– bank deposits	**6,054**	5,401	**–**	–	**6,054**	5,401
– others	**348**	–	**–**	–	**348**	–
Exchange gain	**13,716**	3,027	**–**	–	**13,716**	3,027

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(i) Directors' emoluments

	Ms. Luk Siu Man, Semon HK$'000	**Mr. Wong Chi Fai HK$'000**	**Ms. Fan Man Seung, Vanessa HK$'000**	**Ms. Mok Fung Lin, Ivy HK$'000**	**Ms. Chan Sim Ling, Irene HK$'000**	**Ms. Chan Wiling, Yvonne HK$'000**	**Ms. Wan Choi Ha HK$'000**	**Total HK$'000**
2008								
Fees	**–**	**107**	**107**	**107**	**107**	**107**	**107**	**642**
Other emoluments								
Salaries and other benefits	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Performance related incentive payment *(note)*	**–**	**–**	**2,651**	**–**	**–**	**–**	**–**	**2,651**
	–	**107**	**2,758**	**107**	**107**	**107**	**107**	**3,293**

	Ms. Luk Siu Man, Semon HK$'000	Mr. Wong Chi Fai HK$'000	Ms. Fan Man Seung, Vanessa HK$'000	Ms. Mok Fung Lin, Ivy HK$'000	Ms. Chan Sim Ling, Irene HK$'000	Ms. Chan Wiling, Yvonne HK$'000	Ms. Wan Choi Ha HK$'000	Total HK$'000
2007								
Fees	–	100	100	100	100	100	54	554
Other emoluments								
Salaries and other benefits	–	–	–	–	–	–	–	–
Performance related incentive payment *(note)*	–	–	2,830	–	–	–	–	2,830
	–	100	2,930	100	100	100	54	3,384

Note: The performance related incentive payment is determined with reference to the operating results and individual performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – CONTINUED

(ii) Employees' emoluments

During the year, the five highest paid individuals included one director (2007: one director). The total emoluments of the remaining four (2007: four) highest paid individuals were as follows:

	2008	2007
	HK$'000	HK$'000
Salaries and other benefits	**4,607**	4,268
Bonuses	**15,696**	13,665
	20,303	17,933

	Number of individuals	
	2008	2007
Emoluments of the employees were within the following bands:		
HK$1,000,001 – HK$1,500,000	**–**	3
HK$1,500,001 – HK$2,000,000	**1**	–
HK$2,500,001 – HK$3,000,000	**1**	–
HK$4,500,001 – HK$5,000,000	**1**	–
HK$11,500,001 – HK$12,000,000	**1**	–
HK$14,000,001 – HK$14,500,000	**–**	1

No emolument was recognised or paid by the Group to the directors as compensation for loss of office for both years. No director had waived any emoluments during both years.

(iii) Retirement benefit scheme

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of the independent trustees.

The employees of the Group's subsidiaries in Macau and the PRC were members of state-managed retirement benefit schemes operated by the Macau and PRC government. The Group was required to contribute a certain percentage of its payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme was to make the required contributions under the scheme.

During the year, the retirement benefit scheme contributions were HK$483,000 (2007: HK$441,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

12. TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
The charge comprises:						
Macau Complimentary Income Tax						
– current year	**30,131**	15,865	**–**	–	**30,131**	15,865
– overprovision in prior year	**–**	(2,605)	**–**	–	**–**	(2,605)
	30,131	13,260	**–**	–	**30,131**	13,260
Deferred taxation *(note 28)*	**3,511**	20,842	**–**	–	**3,511**	20,842
	33,642	34,102	**–**	–	**33,642**	34,102

The Macau Complimentary Income Tax is calculated at the applicable rate of 12% of the estimated assessable profits for both years.

No provision for Hong Kong Profits Tax and PRC Enterprise Income Tax have been made as there were no estimated assessable profits for both years.

The taxation for the year can be reconciled to the profit before taxation per consolidated income statement as follows:

	2008	2007
	HK$'000	HK$'000
Continuing operations	**340,070**	408,275
Discontinued operation	**(6,507)**	34,945
Profit before taxation	**333,563**	443,220
Tax charge at the Macau Complimentary Income Tax rate of 12% (2007: 12%)	**40,028**	53,186
Tax effect of expenses that are not deductible for tax purpose	**13,675**	24,616
Tax effect of income that is not taxable for tax purpose	**(29,731)**	(43,677)
Tax effect of tax losses not recognised	**10,179**	6,314
Tax effect of utilisation of tax losses not previously recognised	**–**	(4,033)
Overprovision in prior year	**–**	(2,605)
Others	**(509)**	301
Taxation for the year	**33,642**	34,102

13. DISCONTINUED OPERATION

On 7th May, 2007, the Group entered into an agreement to dispose of the entired interest of Quick Treasure Investments Limited and its subsidiaries (collectively referred to as the "Quick Treasure Group"), which carried out the Group's cruise and cruise-related operations to a third party. The disposal was completed on 29th June, 2007, on which date control of Quick Treasure Group was passed to the third party and the Group discontinued its cruise and cruise-related operations.

The (loss) profit for the year from the discontinued operation is analysed as follows:

	2008	2007
	HK$'000	HK$'000
(Loss) profit of cruise and cruise-related operations for the year	**(7,652)**	34,945
Gain on disposal of subsidiaries in cruise and cruise-related operations	**1,145**	–
	(6,507)	34,945

The results of the discontinued operation for the year are as follows:

	2008	2007
	HK$'000	HK$'000
Revenue	**16,296**	123,318
Cost of sales	**(1,304)**	(3,448)
Direct operating expenses	**(13,353)**	(49,827)
Selling and marketing expenses	**(1,467)**	(2,331)
Administrative expenses	**(7,824)**	(32,767)
(Loss) profit for the year	**(7,652)**	34,945

No tax charge was arisen on gain on discontinuance of the operation.

The discontinued operation spent HK$6,816,000 (2007: generated HK$55,497,000) in respect of the Group's operating activities, paid HK$117,000 (2007: HK$2,341,000) in respect of investing activities and generated HK$7,092,000 (2007: paid HK$53,836,000) in respect of financing activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

13. DISCONTINUED OPERATION – CONTINUED

The net assets of those subsidiaries under the discontinued operation at date of disposal on 29th June, 2007 are as follows:

	HK$'000
Property, plant and equipment	127,788
Inventories	1,784
Trade and other receivables	1,213
Amount due from a related company	3,645
Bank balances and cash	2,054
Trade and other payables	(8,600)
Amount due to immediate holding company	(55,713)
Net assets	72,171
Assignment of intercompany indebtedness	55,713
Gain on disposal	1,145
Total consideration, satisfied by cash	129,029
Analysis of net inflow of cash and cash equivalents in connection with the disposal of the discontinued operation	
Cash consideration	129,029
Bank balances and cash disposed of	(2,054)
	126,975

14. DIVIDENDS

	2008 HK$'000	2007 HK$'000
Dividends recognised as distribution during the year:		
Interim paid: HK4.0 cents per share (2007: HK4.0 cents per share)	41,342	37,151
Final paid in respect of preceding financial year: HK8.0 cents per share (2007: HK2.0 cents per share)	82,684	18,575
	124,026	55,726

The board of directors proposed the payment of a final dividend of HK4.0 cents per share (2007: HK8.0 cents per share) for the year ended 31st March, 2008 and is subject to approval by the shareholders in the forthcoming annual general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

15. EARNINGS PER SHARE

From continuing and discontinued operations

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

	2008 HK$'000	2007 HK$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**202,458**	272,493

	2008	2007
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**993,220,028**	928,771,980

From continuing operations

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

	2008 HK$'000	2007 HK$'000
Profit for the year attributable to the equity holders of the Company	**202,458**	272,493
Less: (Loss) profit for the year from the discontinued operation	**(6,507)**	34,945
Earnings for the purpose of basic and diluted earnings per share from the continuing operations	**208,965**	237,548

From discontinued operation

Basic loss per share for the discontinued operation is HK$0.01 per share (2007: earnings per share of HK$0.03), based on the loss for the year from the discontinued operation of approximately HK$6,507,000 (2007: profit of HK$34,945,000).

The denominators used are the same as those detailed above for both basic and diluted earnings per share from the continuing and discontinued operations.

No effect of dilutive potential shares in respect of the share options is resulted as the exercise price of the Company's share options is higher than the average market price of the Company's shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

16. INVESTMENT PROPERTIES

	2008 HK$'000	2007 HK$'000
FAIR VALUE		
At the beginning of the year	**681,200**	510,100
Transfer to property, plant and equipment	**(58,500)**	–
Fair value change	**33,500**	171,100
At the end of the year	**656,200**	681,200

The investment properties are situated in Macau and held under medium-term leases. The Group's property interests in land held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the investment properties as at 31st March, 2008 has been arrived at on the basis of a valuation carried out at that date by Savills Consultancy Limited, an independent firm of professional property valuers not connected with the Group. Savills Consultancy Limited has appropriate qualification and recent experiences in the valuation of similar properties in the relevant locations, on an open market value basis. The valuation was arrived at by using the comparison method based on prices realised on actual sales of properties made which are of similar sizes, character and locations.

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For the year ended 31st March, 2008

17. PROPERTY, PLANT AND EQUIPMENT

	Hotel property HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Vessel HK$'000	Others HK$'000	Total HK$'000
COST									
At 1st April ,2006	559,061	–	20,689	213,045	94,362	1,262	133,156	9,711	1,031,286
Currency realignment	–	–	2	3	–	8	–	–	13
Additions	784	24,336	5,291	11,528	8,314	1,438	–	261	51,952
Disposals	–	–	(1,068)	–	–	(490)	–	–	(1,558)
At 31st March, 2007	559,845	24,336	24,914	224,576	102,676	2,218	133,156	9,972	1,081,693
Currency realignment	–	–	6	6	–	24	–	–	36
Transferred from investment properties	58,500	–	–	–	–	–	–	–	58,500
Additions	–	–	4,415	13,492	6,675	2,625	–	102	27,309
Disposals	–	–	–	(3,695)	–	–	–	(11)	(3,706)
Disposal of subsidiaries	–	–	(2,018)	(7,906)	–	–	(133,156)	–	(143,080)
At 31st March, 2008	**618,345**	**24,336**	**27,317**	**226,473**	**109,351**	**4,867**	**–**	**10,063**	**1,020,752**
DEPRECIATION									
At 1st April, 2006	3,484	–	638	9,196	2,515	524	6,421	486	23,264
Currency realignment	–	–	1	1	–	7	–	–	9
Provided for the year	14,200	558	2,456	36,641	11,064	240	5,504	1,981	72,644
Eliminated on disposals	–	–	–	–	–	(441)	–	–	(441)
At 31st March, 2007	17,684	558	3,095	45,838	13,579	330	11,925	2,467	95,476
Currency realignment	–	–	3	6	–	6	–	–	15
Provided for the year	15,759	608	3,562	37,794	12,141	720	1,376	2,011	73,971
Eliminated on disposals	–	–	–	(837)	–	–	–	(4)	(841)
Eliminated on disposal of subsidiaries	–	–	(307)	(1,684)	–	–	(13,301)	–	(15,292)
At 31st March, 2008	**33,443**	**1,166**	**6,353**	**81,117**	**25,720**	**1,056**	**–**	**4,474**	**153,329**
CARRYING AMOUNTS									
At 31st March, 2008	**584,902**	**23,170**	**20,964**	**145,356**	**83,631**	**3,811**	**–**	**5,589**	**867,423**
At 31st March, 2007	542,161	23,778	21,819	178,738	89,097	1,888	121,231	7,505	986,217

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

17. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

The above items of property, plant and equipment are depreciated on a straight line basis of the following rates per annum:

Hotel property and buildings	Over the estimated useful lives of 40 years or the unexpired terms of the relevant lease, whichever is shorter
Leasehold improvements	10 – 20%
Furniture, fixtures and equipment	10 – 20%
Plant and machinery	10 – 20%
Motor vehicles	20%
Vessel	5%
Others	20%

The hotel property and buildings are located in Macau.

18. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2008 HK$'000	2007 HK$'000
Leasehold land in Macau under medium-term lease	**265,584**	272,048
Leasehold land in the PRC under medium-term lease	**46,158**	43,211
	311,742	315,259
Analysed for reporting purposes as follows:		
Non-current	**304,010**	307,640
Current	**7,732**	7,619
	311,742	315,259

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

19. PROPERTY UNDER DEVELOPMENT

	HK$'000
At 1st April, 2006	326,699
Currency realignment	13,031
Additions	144,786
Release of prepaid lease payments capitalised	1,155
At 31st March, 2007	485,671
Currency realignment	44,657
Additions	22,619
Release of prepaid lease payments capitalised	1,268
At 31st March, 2008	**554,215**

The property under development is situated in the PRC and is held under a Certificate of Real Estate Ownership (the "Land") for a term from 9th August, 1994 to 8th September, 2050. Included in property under development as at 31st March, 2008 is net interest capitalised of HK$21,372,000 (2007: HK$21,372,000). No further interest was capitalised in 2007 and 2008.

On 26th May, 2004, the Group entered into a joint venture agreement ("JV Agreement") with Shenzhen Lianhe Jinhao Investment Development Co., Ltd. ("JV Partner") to jointly develop the Land. Under the JV Agreement, the Group would provide the Land, the JV Partner would bear the full construction cost and the saleable floor area would be split between the parties in equal shares. The Group and the JV Partner intend to develop the property into a commercial complex ("Project"). The Group has an option to put its interest in the Project to the JV Partner at a consideration of HK$530,000,000 ("Put Option"). The option period is between (i) 18 months from the JV Partner taking possession of the Land and (ii) 30 months from the JV Partner taking possession of the Land or completion of the decoration of the common areas of the Project, whichever is the later (both months inclusive) (the option period will be the only restriction for the Group to exercise its right under the Put Option).

Under the terms of the JV Agreement, the Group has the right to terminate the JV Agreement and forfeit the JV Partner's contribution to the Project if the JV Partner failed to settle overdue payment of more than RMB10,000,000 for more than 3 months. In view of the JV Partner's failure to do so, the Group had commenced legal proceedings against the JV Partner in Shanghai, the PRC for termination of the JV Agreement and forfeiture of the JV Partner's contribution. Details of which are set out in note 35(a). The Group had also assumed the legal obligation to settle the outstanding payments relating to the Project. As a result, the Group had paid and accrued during the year land foundation cost of a total amount of HK$22,619,000 (2007: HK$144,786,000) in relation to the Project which are capitalised as cost of the property under development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

20. GOODWILL

	HK$'000
COST	
At 1st April, 2006 and 31st March, 2007	18,301
Arising on acquisition of additional interest in a subsidiary *(note)*	54,637
At 31st March, 2008	**72,938**

Note: The amount arose as a result of acquisition of additional 10% interest in Nova Strategic Limited ("Nova Strategic"); a subsidiary of the Company at a consideration of HK$189,525,000 on 20th August, 2007. Nova Strategic is an investment holding company of the Group's hotel and gaming operations.

As at 31st March, 2007 and 31st March, 2008, the carrying amount of goodwill amounting to HK$18,301,000 (2007: HK$18,301,000) and HK$54,637,000 (2007: HK$Nil) had been allocated to the CGU for the property development and hotel and gaming operations, respectively.

The recoverable amount of the CGU is determined from value in use calculations. The value in use calculations use cash flow projections based on financial budgets prepared by the management. The key assumptions for the value in use calculations are those regarding the discount rates, growth in revenue and direct costs during the period. The management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the CGU.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the management for the next five years at a discount rate of 5% and the cash flows beyond the 5-year period are extrapolated using a steady 5% growth rate.

During the year, the Group performed impairment review for goodwill and considered no impairment loss was necessary.

21. TRADE AND OTHER RECEIVABLES

The Group normally allows credit periods of up to 60 days to its trade customers, except for certain credit worthy customers with long term relationship and stable repayment pattern, where the terms are extended to a longer period. At the balance sheet date, the maximum credit period was extended to 240 days for certain customers. An aged analysis of the Group's trade receivables at the balance sheet date is set out below:

	2008	2007
	HK$'000	HK$'000
0 – 30 days	**210,860**	318,640
31 – 60 days	**18,187**	36,048
61 – 90 days	**89,780**	931
91 – 180 days	**144,099**	3,619
Over 180 days	**23,420**	12
	486,346	359,250
Chips on hand	**166,255**	108,292
Other receivables	**24,595**	27,105
	677,196	494,647

Chips on hand represent chips issued by a gaming concessionaire in Macau which can be exchanged into their cash amounts.

The Group's trade receivable balances do not include debtor which was past due at the report date for which the Group has not provided for impairment loss (2007: past due debtors of HK$4,562,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

21. TRADE AND OTHER RECEIVABLES – CONTINUED

Movement in the allowance for bad and doubtful debts

	2008 **HK$'000**	2007 HK$'000
At the beginning of the year	**9,667**	89
Impairment loss recognised	**16,867**	9,578
Amounts written off	**(89)**	–
At the end of the year	**26,445**	9,667

Aging of trade receivables which are past due but not impaired:

	2008 **HK$'000**	2007 HK$'000
61 – 90 days	**–**	931
91 – 180 days	**–**	3,619
Over 180 days	**–**	12
	–	4,562

The Group's management closely monitors the credit quality of debtors and considers the debtors that are neither past due nor impaired to be of a good credit quality. Based on the repayment pattern of the customers of the Group, debtors that are past due but not impaired are generally collectable.

22. AMOUNT DUE FROM A RELATED COMPANY

Particulars of the amount due from a related company are as follows:

Name of related company	**Balance as at 31st March, 2008 HK$'000**	Balance as at 1st April, 2007 HK$'000	**Maximum amount outstanding during the year HK$'000**
Coprosper Investments Limited *(note)*	**–**	968	**9,579**

The amount was unsecured, interest-free and repayable on demand.

Note: Coprosper Investments Limited was 28% held by Redmond Nominees Limited, a company wholly owned by Dr. Yeung Sau Shing, Albert ("Dr. Albert Yeung"), a deemed substantial shareholder of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

23. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, and carry interests in average 3.0% (2007: 3.9%) per annum.

24. TRADE AND OTHER PAYABLES

An aged analysis of the Group's trade payables at the balance sheet date is set out below:

	2008	2007
	HK$'000	HK$'000
0 – 30 days	**44,471**	59,762
31 – 60 days	**73**	1,172
61 – 90 days	**54**	178
91 – 180 days	**942**	67
	45,540	61,179
Short-term advances	**45,000**	45,000
Construction payables	**189,825**	173,677
Other payables	**175,842**	124,920
	456,207	404,776

Short-term advances are unsecured, interest-free and repayable on demand.

25. AMOUNTS DUE TO RELATED COMPANIES

	2008	2007
	HK$'000	HK$'000
Interest bearing at prevailing market rates ranging from 7.75% to 8% per annum *(note (a))*	**–**	28,370
Interest-free amount *(note (a))*	**6,654**	9,501
Interest-free amounts *(note (b))*	**221**	66,035
	6,875	103,906

Notes:

(a) The amount is due to a subsidiary of Emperor International Holdings Limited ("EIHL"), a substantial shareholder of the Company.

(b) The amounts are due to companies in which Dr. Albert Yeung has significant influence or is deemed to have significant influence.

The amounts are unsecured and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

26. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF A SUBSIDIARY

	2008 HK$'000	2007 HK$'000
Interest-free amounts	**374,714**	377,133
Interest bearing amounts	**–**	77,079
	374,714	454,212
Less: Amounts due within one year shown under current liabilities	**(122,036)**	(125,720)
Amounts due after one year	**252,678**	328,492

Pursuant to the directors' meeting of Luck United Holdings Limited held on 16th January, 2007, it was resolved that the terms of a portion of the interest-free shareholders' loans with the principal of HK$100,000,000 advanced by the minority shareholders pursuant to the directors' meeting held on 8th July, 2005 was changed to be interest bearing at the interest rate equivalent to the prime rate, such interest was accrued from the date of advance at the rate equivalent to the prime rate. During the year ended 31st March, 2007, the Group repaid the principal of HK$24,081,000 to the minority shareholders together with the payment of the interest accrued from the date of advance up to 18th January, 2007 amounted to HK$10,919,000. The interest accrued from 19th January, 2007 to 31st March, 2007 amounted to HK$1,160,000 was included in the balance of the amounts due to minority shareholders of a subsidiary. The remaining principal of HK$75,919,000 was repaid in April 2007. Due to the change of the terms of the shareholders' loans in respect of the principal of HK$100,000,000, the corresponding capital contribution arising from fair value adjustment on initial recognition of the amounts due to minority shareholders of a subsidiary amounted to HK$20,919,000 was adjusted to the carrying amount of minority interests in 2007.

In accordance with the contractual terms of the shareholders' agreements, the interest-free amounts are to be repaid from surplus fund, which represents cash available in Luck United Holdings Limited, an indirectly non-wholly owned subsidiary and its subsidiaries after payment of all operating expenses and payables including but not limited to bank loans and third party loans which are due for repayment together with the accrued interest, is available. Interest on these advances had been computed at an original effective interest rate of 5% and a projection on the timing of realisation of surplus fund.

During the year ended 31st March, 2008, the Group partially repaid the principal of the interest-free shareholders' loans of HK$22,500,000. As at 31st March, 2008, the Group revised its estimates of repayments of the amounts due to minority shareholders of a subsidiary and the Group adjusted the carrying amount of the amounts due to minority shareholders of a subsidiary to reflect the revised estimated cash flows. The Group recalculated the carrying amount by computing the present value of estimated future cash flows at the original effective interest rate. This resulted in an increase of HK$1,157,000 (2007: decrease of HK$41,103,000) being adjusted to the carrying amount of minority interests in the current year.

26. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF A SUBSIDIARY – CONTINUED

In the opinion of the directors of the Company, the carrying amount of amounts due to minority shareholders of HK$252,678,000 (2007: HK$328,492,000) is not expected to be repaid in the next twelve months based on the cash flow forecasts and the estimation on future surplus fund. Accordingly, the carrying amount of HK$252,678,000 (2007: HK$328,492,000) is shown as non-current.

27. SECURED BANK BORROWINGS

	2008 HK$'000	2007 HK$'000
The bank borrowings are repayable as follows:		
Within one year or on demand	**41,880**	39,845
Between one to two years	**43,755**	40,795
Between two to three years	**45,734**	43,158
Between three to four years	**47,800**	45,673
Between four to five years	**34,280**	48,333
Over five years	**–**	35,072
	213,449	252,876
Less: Amounts due within one year shown under current liabilities	**(41,880)**	(39,845)
Amounts due after one year	**171,569**	213,031

The bank borrowings carried interest at Hong Kong Inter-Bank Offer Rate plus 2.1% (2007: 1.5%) ranging from 4.10% to 7.30% (2007: 4.75% to 5.75%) per annum and are secured by certain of the Group's assets. The carrying values of these assets at the balance sheet date are as follows:

	2008 HK$'000	2007 HK$'000
Hotel property	**584,902**	542,161
Investment properties	**656,200**	681,200
Prepaid lease payments	**265,584**	272,048
	1,506,686	1,495,409

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

28. DEFERRED TAXATION

The following are the major deferred taxation assets (liabilities) recognised and movements thereon during the year:

	Accelerated tax depreciation HK$'000	Development costs capitalised HK$'000	Fair value change in investment properties HK$'000	Pre-operating expenses written off HK$'000	Total HK$'000
At 1st April, 2006	(4,624)	(5,533)	(47,084)	4,624	(52,617)
Credited (charged) to the consolidated income statement	2,002	–	(20,532)	(2,312)	(20,842)
At 31st March, 2007	(2,622)	(5,533)	(67,616)	2,312	(73,459)
Credited (charged) to the consolidated income statement	2,821	–	(4,020)	(2,312)	(3,511)
At 31st March, 2008	**199**	**(5,533)**	**(71,636)**	**–**	**(76,970)**

For the purpose of the balance sheet presentation, deferred taxation assets and liabilities have been offset.

As at 31st March, 2008, the Group had unused tax losses of HK$229,242,000 (2007: HK$234,289,000) available for offset against future profits. No deferred taxation asset had been recognised in respect of such loss. Included in unrecognised tax losses were losses of HK$16,313,000, HK$3,621,000 and HK$46,034,000 (2007: HK$16,313,000 and HK$3,621,000) that would expire in 2009, 2010 and 2011, respectively (2007: 2009 and 2010 respectively). Other losses might be carried forward indefinitely.

29. SHARE CAPITAL

	Number of shares		Share capital	
	2008	2007	**2008 HK$'000**	2007 HK$'000
Authorised:				
Ordinary shares of HK$0.0001 each	**2,000,000,000,000**	2,000,000,000,000	**200,000**	200,000
Issued and fully paid:				
At the beginning of year	**928,771,980**	928,771,980	**93**	93
Issue of shares *(note (a))*	**104,774,846**	–	**10**	–
Repurchase of shares *(note (b))*	**(22,323,700)**	–	**(2)**	–
At the end of year	**1,011,223,126**	928,771,980	**101**	93

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

29. SHARE CAPITAL – CONTINUED

Notes:

(a) On 12th June, 2007, World Million Profits Limited ("World Million"), a wholly-owned subsidiary of EIHL, a company listed on The Stock Exchange of Hong Kong Limited and a substantial shareholder of the Company entered into a sale and purchase agreement with Lion Empire Investments Limited ("Lion Empire") for the acquisition of 10% interest in Nova Strategic and loan due from Nova strategic to the vendor at a consideration of HK$157,279,000. The consideration was satisfied by the allotment and issue of 79,433,953 shares of the EIHL at an issue price of HK$1.98 per share, being the market price at date of exchange. Lion Empire is a wholly-owned subsidiary of The Albert Yeung Discretionary Trust.

On the same date, Courage Wisdom Investments Limited ("Courage Wisdom"), a wholly-owned subsidiary of the Company entered into another sale and purchase agreement with World Million, for the acquisition of the additional 10% interest in Nova Strategic together with the loan due from Nova strategic to World Million. The acquisition cost is HK$189,525,000, comprising an amount of HK$188,595,000 which was satisfied by the allotment and issue of 104,774,846 shares of the Company at an issue price of HK$1.80 per share, being the market price at date of exchange, and an amount of HK930,000 which was settled by way of cash payment. The issue of shares was approved by a resolution of the board of directors on 16th August, 2007.

(b) During the year, the Company repurchased its own shares through The Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	No. of ordinary shares of HK$0.0001 each	Price per share Highest	Lowest	Aggregate consideration
		HK$	HK$	HK$'000
February 2008	1,120,000	1.74	1.69	1,930
March 2008	21,203,700	1.70	1.70	36,196
	22,323,700			38,126

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For the year ended 31st March, 2008

30. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 2nd September, 2002 (the "Adoption Date"), the primary purpose of which is to provide incentives or rewards to participants including the directors and eligible employees of the Group.

Under the Scheme, the directors of the Company are authorised, at any time within ten years after the Adoption Date, to grant options to any participants to subscribe for shares in the Company at a price not less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing prices of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share. The total number of shares in respect of which options may be granted under the Scheme cannot exceed 10% of the total number of shares in issue on the Adoption Date. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company, if any, cannot exceed 30% of the total number of shares in issue from time to time. The number of shares in respect of which options may be granted to any participant shall not exceed 1% of the total number of shares in issue in any 12-month period. An option may be exercised at any time within ten years from the date of issue of the relevant options, where the acceptance date should not be later than 28 days from the date of the offer. A nominal consideration of HK$1 is payable on acceptance of the grant of options.

On 11th August, 2005, a total of 10,000,000 share options were granted to two directors of the Company at an exercise price of HK$2.20 under the terms of the Scheme. The options were vested immediately at the date of grant.

Details of the movements of the Scheme during the year are as follows:

Date of grant	Exercisable period	Exercise price	Outstanding as at 1st April, 2006, 31st March, 2007 and 31st March, 2008
11th August, 2005	11th August, 2005 to 10th August, 2015	HK$2.20	10,000,000

During the year, no share options were granted under the Scheme by the Company.

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For the year ended 31st March, 2008

31. RESERVES

(a) The contributed surplus of the Group represents the difference between the aggregate of the nominal amount of the share capital and share premium of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the Company's share capital issued as consideration for the acquisition.

(b) As stipulated by the relevant laws and regulations in the Macau Special Administrative Region, certain subsidiaries of the Company are required to set aside 25% of their profit for the year to a legal reserve until the legal reserve has reached 50% of their registered capital.

32. MINORITY INTERESTS

Included in minority interests as at 31st March, 2008 was an imputed interest of HK$109,629,000 (2007: HK$110,786,000) arising from certain loans from the minority shareholders of a subsidiary which agreed to contribute interest-free shareholders' loans in accordance with their shareholdings (see note 26).

33. COMMITMENTS

	2008 **HK$'000**	2007 HK$'000
Authorised but not contracted for in respect of:		
– property and hotel development projects	**2,431**	2,326
Contracted for but not provided in the consolidated financial statements, net of prepayments paid, in respect of:		
– property and hotel development projects	**404,276**	386,055
– property, plant and equipment	**1,611**	–
	405,887	386,055
	408,318	388,381

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34. OPERATING LEASE COMMITMENTS

The Group as lessee

	2008 HK$'000	2007 HK$'000
Operating lease rentals paid and payable for the year in respect of:		
– rented premises	**4,721**	3,979
– equipment	**–**	39
	4,721	4,018

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	2008 HK$'000	2007 HK$'000
Within one year	**10,415**	2,041
In the second to fifth year inclusive	**3,058**	2,803
After five years	**7**	41
	13,480	4,885

The leases were negotiated for terms ranging from 1 to 3 years and the rentals are pre-determined and fixed.

The Group as lessor

	2008 HK$'000	2007 HK$'000
Operating lease rentals received and receivable for the year in respect of:		
– investment properties	**55,275**	44,272
– gaming hall in the vessel including contingent rentals of HK$15,092,000 (2007: HK$966,000)	**15,092**	120,966
	70,367	165,238

34. OPERATING LEASE COMMITMENTS – CONTINUED

The Group as lessor – continued

At the balance sheet date, the Group had contracted with tenants to receive the following future minimum lease payments in respect of premises in the investment properties in Macau, which fall due as follows:

	2008	2007
	HK$'000	HK$'000
Within one year	**42,203**	53,007
In the second to fifth year inclusive	**115,250**	165,262
After five years	**201,600**	307,200
	359,053	525,469

Certain premises in the Group's investment properties have committed tenants for the tenancy ranging from 1 to 14 years and the rentals are pre-determined and fixed.

35. CONTINGENT LIABILITIES

(a) In October 2006, the Group commenced legal proceedings against the JV Partner in Shanghai, the PRC, for termination of the JV Agreement in respect of the development of the Group's property in Shanghai as a result of the JV Partner's failure to settle the outstanding payment and construction costs in accordance with the terms of the JV Agreement. The Group also claimed against the JV Partner for forfeiture of the JV Partner's contribution to the project and further contribution by the JV Partner of outstanding payment and construction costs totalling RMB83,620,000 (equivalent to HK$92,711,000). The JV Partner contested the proceedings and counterclaimed against the Group for RMB100,000,000 (equivalent to HK$110,872,000) as damages for breach of the JV Agreement. The PRC lawyers representing the Group were of the view that it is probable for the Group to terminate the JV Agreement, in which event the JV Partner is unable to provide supportive rationale to the court to support their counterclaim, therefore no provision was made by the Group. The legal case is still in the progress at the end of the year.

(b) In January 2007, the Group was sued jointly with its contractor for MOP3,500,000 (equivalent to HK$3,352,000) for injuries suffered by a third party in an accident which happened in 2005 in the premises of the Grand Emperor Hotel when the hotel was under renovation. The ultimate outcome of the case is not determinable at this stage. No provision was made by the Group as the Group is of the view that the contractor and its insurer should be responsible for paying any damages awarded to the plaintiff.

36. RELATED PARTY TRANSACTIONS

(a) Other than disclosed in note 29(a), the Group also had the following significant transactions with related parties:

	2008 HK$'000	2007 HK$'000
Advertising expenses to related companies	**375**	1,196
Commission to Dr. Albert Yeung, a deemed substantial shareholder of the Company, in the capacity of a patron of the Group's VIP rooms	**1,897**	1,820
Interest expense to a related company	**1,670**	2,357
Management fee expenses to a related company	**–**	256
Purchase of property, plant and equipment and merchandising goods from related companies	**318**	503
Rental income from related companies	**17,606**	123,337
Rental expense to a related company	**105**	418
Secretarial fee expenses to a related company	**320**	320
Sharing of administrative expenses from a related company	**13,422**	13,556

Note: Certain directors, key management personnel and a deemed substantial shareholder of the Company have significant influence or are deemed to have significant influence in the above related companies.

(b) The key management personnel of the Company are the directors of the Company. The details of the remunerations paid to them are set out in note 11.

37. PARTICULARS OF SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31st March, 2007 and 2008, were as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Nominal value of issued ordinary share/ registered capital	The Company's attributable equity interest Directly		Indirectly		Principal activities
				2008 %	2007 %	**2008** %	2007 %	
Asian Glory Limited	Macau	Macau	MOP25,000	–	–	**50***	45*	Property holding
Big Capital International Limited	British Virgin Islands	Macau	US$1	–	–	**50***	45*	Slot machine hall operation
Emperor Entertainment Hotel Management Limited	Macau	Macau	MOP25,000	–	–	**50***	45*	Provision of project financing services
Emperor (Shanghai) Co., Ltd. 英皇（上海）有限公司	PRC – wholly-owned foreign investment enterprise	PRC	US$45,000,000***	–	–	**100**	100	Property development
Great Assets Holdings Limited	British Virgin Islands	Hong Kong	US$50	–	–	**100**	90	Investment holding
Harbour Assets Limited	British Virgin Islands	PRC and International waters	US$1	–	–	**–****	100	Vessel owner
Keen Million Limited	British Virgin Islands	Macau	US$1	–	–	**50***	45*	Mass market operation
Lavergem Holdings Limited	British Virgin Islands	Hong Kong	US$1	**100**	100	**–**	–	Investment holding
Nova Strategic Limited	British Virgin Islands	Macau	US$100	–	–	**100**	90	Investment holding
Luck United Holdings Limited ("Luck United")	British Virgin Islands	Macau	US$10,000	–	–	**50***	45*	Investment holding
Pacific Strong Bases (Holding) Company Limited	Macau	Macau	MOP500,000	–	–	**50***	45*	Hotel operation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2008

37. PARTICULARS OF SUBSIDIARIES – CONTINUED

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Nominal value of issued ordinary share/ registered capital	The Company's attributable equity interest Directly 2008 %	2007 %	Indirectly 2008 %	2007 %	Principal activities
Precision Faith Limited	Macau	Macau	MOP100,000	–	–	**100**	90	VIP room operation and provision of gaming-related marketing and public relation services
Right Achieve Limited	British Virgin Islands	Macau	US$1	–	–	**50***	45*	Investment holding
Season Success Investment Limited	Hong Kong	Hong Kong	HK$1	–	–	**–****	100	Vessel operation
Super Park Internation Company Limited	Macau	Macau	MOP25,000	–	–	**50***	45*	Motor vehicle owner

* These companies are wholly-owned subsidiaries of Luck United. Luck United is regarded as a subsidiary of the Company as the Group has control on the board of directors of Luck United. As stipulated in the shareholders' agreements, Great Assets Holdings Limited, the immediate holding company of Luck United, shall have the right to appoint up to five directors and each of the other four minority shareholders shall have the right to appoint one director to the board of Luck United.

** Harbour Assets Limited and Season Success Investment Limited are wholly owned subsidiaries of Quick Treasure Investments Limited, which were disposed of on 29th June, 2007 as disclosed in note 13.

*** The registered capital of Emperor (Shanghai) Co. Ltd. 英皇(上海)有限公司 is US$45,000,000 (2007: US$30,000,000). As at 31st March, 2008 US$33,000,000 (31st March, 2007: US$30,000,000) had been contributed to this company.

None of the subsidiaries of the Company issued any debt securities as at 31st March, 2008.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

FINANCIAL SUMMARY

For the year ended 31st March, 2008

RESULTS

	Year ended 31st March,				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**1,271,429**	1,310,007	345,796	18,236	–
Profit before taxation	**333,563**	443,220	410,153	17,161	102,291
Taxation	**(33,642)**	(34,102)	(51,886)	–	(6,941)
Profit for the year	**299,921**	409,118	358,267	17,161	95,350
Attributable to:					
Equity holders of the Company	**202,458**	272,493	166,794	17,596	86,382
Minority interests	**97,463**	136,625	191,473	(435)	8,968
	299,921	409,118	358,267	17,161	95,350

ASSETS AND LIABILITIES

	At 31st March,				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**3,369,590**	3,205,039	2,702,696	1,274,202	400,943
Total liabilities	**(1,176,476)**	(1,307,359)	(1,193,603)	(217,623)	(50,439)
Net assets	**2,193,114**	1,897,680	1,509,093	1,056,579	350,504
Attributable to:					
Equity holders of the Company	**1,713,239**	1,459,223	1,227,445	1,057,030	348,579
Minority interests	**479,875**	438,457	281,648	(451)	1,925
	2,193,114	1,897,680	1,509,093	1,056,579	350,504

SUMMARY OF PROPERTIES

At 31st March, 2008

Particulars of the Group's investment properties and property under development as at 31st March, 2008, were as follows:

INVESTMENT PROPERTIES

	Location	Purpose	Floor area	The Group's interest
			sq.ft.	%
1.	Shops of Ground Floor of Grand Emperor Hotel, Macau	Commercial	3,112	50
2.	Rooms 3 on 5th Floor, Rooms 6, 8 & 9 on 6th Floor and common areas of Grand Emperor Hotel, Macau	Commercial	26,565	50
3.	Room 5 on 5th Floor, Room 7 on 6th Floor and common areas of Grand Emperor Hotel, Macau	Vacant	12,339	50
4.	8th Floor of Grand Emperor Hotel, Macau	Commercial	22,266	50
5.	10th Floor of Grand Emperor Hotel, Macau	Commercial	22,266	50

PROPERTY UNDER DEVELOPMENT

Location	Purpose	Site area	Estimated gross floor area	Stage of completion	Estimated completion date	The Group's interest	Term of the land use right
		sq.ft.	sq.ft.			%	
Emperor Star City, a site located at 548 Yu Yuan Jie Dao Fang 11/1 Qiu Huangpu District Shanghai, the PRC *(note (a))*	Commercial complex	246,173	1,298,500 (inclusive of 3 storeys basement)	Basement and foundation have been completed	In 2011	100	From 9th August, 1994 to 8th September, 2050 *(note (b))*

Notes:

(a) The property was originally known as Yuyuan located at Land Plot 33-II, South Henan Road, Nanshi District, Shanghai, the PRC. Pursuant to the order of the Shanghai Municipal Government made in July 2000, the property has been renamed as the above.

(b) Term of the land use right is extracted from the Shanghai Certificate of Real Estate Ownership No. Hu Fang Di Huang Ei (2007) Di 007382 issued by Shanghai Housing and Land Resources Administration Bureau dated 10th November, 2006.