



英皇娛樂酒店有限公司  
**Emperor Entertainment Hotel Limited**

(Incorporated in Bermuda with limited liability)  
(Stock Code : 296)



Interim Report  
**2008/09**

# CONTENTS

	Pages
FINANCIAL HIGHLIGHTS	2
MANAGEMENT DISCUSSION AND ANALYSIS	3-9
INTERIM DIVIDEND	9
CONDENSED CONSOLIDATED INCOME STATEMENT	10-11
CONDENSED CONSOLIDATED BALANCE SHEET	12-13
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	14
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	15
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	16-30
DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES	31-32
SHARE OPTIONS	32-33
INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS	34-35
CORPORATE GOVERNANCE	35
REVIEW OF INTERIM REPORT	35
PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES	36

## FINANCIAL HIGHLIGHTS

	Six months ended	
	30th September, 2008 (Unaudited) HK\$'000	30th September, 2007 (Unaudited) HK\$'000
Revenue from continuing operations	<b>432,267</b>	653,422
EBITDA from continuing operations:		
Before minority interests	<b>134,483</b>	207,759
After minority interests	<b>74,883</b>	137,151
Loss on fair value change in investment properties and impairment loss on property, plant and equipment attributable to:		
Equity holders of the Company	<b>30,010</b>	–
Minority interests	<b>56,010</b>	–
	<b>86,020</b>	–
Profit for the period from continuing operations after minority interests	<b>17,372</b>	104,170
Loss for the period from discontinued operation	–	(6,507)
Profit for the period attributable to the equity holders of the Company	<b>17,372</b>	97,663

# 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 period under review had encountered a global economic downturn and financial market uncertainty. At a local level, Macau had also experienced increasing challenges which hampered the growth of the gaming market. The government of The People’s Republic of China (the “PRC”) had tightened its visa policy, leading to a drop in the number of Mainland visitors going to Macau. Meanwhile, average length of stay in Macau by visitors remained relatively short. These all had an adverse impact on the general gaming market.

Earnings before interest, tax, depreciation and amortisation (EBITDA) before minority interests from continuing operations amounted to approximately HK\$134.5 million, compared with HK\$207.8 million previously.

The Group reported revenue of approximately HK\$432.3 million from its hotel and gaming operations in Macau for the six months ended 30th September, 2008 (the “Period”), as compared with HK\$653.4 million for the previous corresponding period. During the Period, the Group saw a drop of HK\$76.1 million in the fair value of its investment properties, namely the leasing area of the Grand Emperor Hotel in Macau, and an impairment loss of HK\$9.9 million for the non-leasing area of the hotel and another property. The depreciation in market value of the Group’s properties was due to sudden adverse change in the global property market approaching the end of the Period. The property market had been volatile and subject to cyclical movements from time to time. The impairment loss was not a realised loss nor a loss related to the Group’s business performance.

Profit attributable to the equity holders of the Company after the aforesaid fair value adjustment and impairment loss was approximately HK\$17.4 million (2007: HK\$97.7 million). Earnings per share from continuing operations was HK\$0.02, compared with HK\$0.11 in 2007.

As at 30th September, 2008, net asset value attributable to the equity holders amounted to approximately HK\$1,699.4 million, as compared with the amount of HK\$1,713.2 million in the preceding financial year. The decrease in net asset value was mainly due to the distribution of 2008 final dividend to the shareholders of the Company of approximately HK\$40.4 million during the Period.



## **Business Review**

The Group's development project and various investments are discussed as follows:

### **Hotel and Gaming Operations**

The Group's flagship project, Grand Emperor Hotel in Macau, had been providing solid contributions following the commencement of its operations in January 2006. 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. It offers slot as well as table games in gaming concourse and VIP rooms, featuring mainly baccarat – the most popular game in Macau with the best odds among major table games.

During the Period, the Group recorded revenue of HK\$432.3 million (2007: HK\$653.4 million) from its Macau operations.

### ***Gaming Revenue***

The Group's casino operation, run by licence holder Sociedade de Jogos de Macau, S.A., continued to receive solid contribution amid intensified competition arising from opening of new casinos, capacity expansion of existing casinos and the drop of Mainland visitors following the tightening of visa policy of the PRC.

Gaming revenue for the Period amounted to HK\$351.7 million (2007: HK\$572.7 million), accounting for approximately 81.4% (2007: 87.7%) of the hotel's total revenue.

### ***Gaming Concourse***

The Group operated 52 tables during the Period in its gaming concourse, targeting for the mass market. They in total contributed a gross win of approximately HK\$351.4 million, which represented an increment of 27.2% from HK\$276.2 million. Revenue for the Period was approximately HK\$140.6 million, up from HK\$110.5 million in 2007. The hotel, which had established its brand name since opening, 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. The increasing popularity was evidenced by an increase of the average win to approximately HK\$37,000 per table per day from HK\$29,000 previously.

### *Slot Machines*

During the Period, this sector recorded a gross win of approximately HK\$48.5 million (2007: HK\$56.7 million). As at 30 September 2008, the hotel operated a total of 304 slot seats. The slot machines returned an average win of approximately HK\$840 (2007: HK\$900) per seat per day. Revenue for the Group for the Period was approximately HK\$19.4 million (2007: HK\$22.7 million).

### *VIP Rooms*

The Group self-manages two VIP rooms with 10 tables in total. The VIP rooms had rolling of approximately HK\$11.3 billion (2007: HK\$26.9 billion). Win percentage (calculated before discounts and commissions) was 3.2% (2007: 3.3%). Revenue was approximately HK\$169.2 million (2007: HK\$412.3 million) and the average win per table per day was approximately HK\$199,000 (2007: HK\$527,000). The revenue drop was due to fierce market competition. The management had taken proactive controls over revising and granting credit, in order to maintain a healthy and prudent financial position and operation in the long term. Despite the foregoing, the VIP rooms in the hotel managed to be one of the leading VIP rooms in the market in terms of rolling and control in commission payout.


The Group also received contributions from the leasing of VIP rooms within the hotel. Revenue was approximately HK\$22.5 million (2007: HK\$27.2 million) during the Period.

### ***Non-gaming Revenue***

The Grand Emperor Hotel recorded approximately HK\$80.6 million (2007: HK\$80.7 million) non-gaming revenue, which comprised mainly 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 6.8% year-on-year to 16,792 as of 30th September, 2008. Hotel rooms in Macau saw a drop in occupancy rate from 75.7% in March 2008 to 66.8% in September 2008.

With an established reputation in Macau, the Grand Emperor Hotel managed to attract and retain hotel guests with its top-class attentive services and high-end lodging facilities. The 291 hotel rooms at the Grand Emperor Hotel received an average daily rate of approximately HK\$800 and maintained occupancy of 78% (2007: HK\$770 and 85%).



Room revenue was approximately HK\$38.4 million (2007: HK\$40.0 million). The hotel is well received by guests for its high-quality services. Revenue from food and beverage was approximately HK\$34.5 million (2007: HK\$33.3 million). Rental revenue from sauna, night club and retail space was approximately HK\$7.7 million (2007: HK\$7.4 million). 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 a retail outlet during the Period. This had boosted the revenue and showed the Group's determination to maximise returns for its shareholders.

### **Property Development**

This segment recorded no revenue during the Period, as its property project in Shanghai remained under development. The segment did not record any significant contribution for the Period.

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. The Group is awaiting the outcome of the litigation set out in the section headed "Commitments and Contingencies" below in relation to the cancellation of a joint venture concerning the development of the project. In the meantime, the Group is reviewing the design and planning to award the contracts for construction above ground.

The management is positive over the retail property market in Shanghai in the long term. 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.

### **Outlook**

The Group positions itself with the operation of the Grand Emperor Hotel as a full-scale gaming conglomerate, enjoying significant contributions from gaming and ancillary businesses.



The Group believes in the future growth of Macau's economy and in particular its tourist industry. The continuous growth in China's economy is expected to benefit the Macau economy and provides promising outlook and business environment for the Group.

After the Period in October 2008, the Group successfully converted some of the leased-out VIP rooms into general gaming concourse, and added seven additional tables to the gaming concourse. The measure is expected to secure increasing and stable contribution from the mass market amid intensifying competition in the VIP market. It also demonstrates the Group is responsive and proactive to changes in market condition.

The management would closely monitor the market development and seek to improve operating margins through cost reduction initiatives and improving efficiency. It looks forward to further utilisation of the Group's execution strength and rich assets in the entertainment industry.


## **Capital Structure, Liquidity and Financial Resources**

During the Period, the Group mainly funded its operations and capital expenditure through its internally generated cash flow from operations. As at 30th September, 2008, bank borrowings which were denominated in Hong Kong dollars, secured, interest bearing and had fixed repayment term amounted to approximately HK\$192.7 million. Advances from related companies totaling approximately HK\$5.9 million were denominated in Hong Kong dollars, unsecured, interest-free and repayable on demand. Advances from minority shareholders of a subsidiary of the Company were approximately HK\$361.5 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 Period were approximately HK\$815.5 million and HK\$612.1 million respectively. The gearing ratio of the Group (expressed as a percentage of total borrowings over total assets) slightly decreased from 17.7% in the preceding financial year to 17.4%.

Save as disclosed above and trade and other payables and accrued charges, the Group had no other external borrowings. Bank balances and cash on hand of the Group as at 30th September, 2008 totaled approximately HK\$395.6 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 Period.





With its sufficient bank balances and cash on hand as well as its existing loan facility, the board of directors (the “Board” or the “Directors”) 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 Period, assets with carrying values of approximately HK\$1.42 billion were pledged to a bank as security for a banking facility granted to the Group.

## **Commitments and Contingencies**

As at 30th September, 2008, the Group had capital commitments of approximately HK\$440.9 million, comprising HK\$437.5 million for property development project in Shanghai and HK\$3.4 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 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\$95.4 million). The JV Partner contested the proceedings and counterclaimed against the Group for RMB100 million (equivalent to approximately HK\$114.1 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 Period. No provision was made by the Group during the Period.

In January 2007, the Group was sued jointly with its contractor for approximately MOP 3.5 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.



## **Employees and Share Option Scheme**

As at 30th September, 2008, the Group's number of employee was 1,034 as compared to 1,032 as at the end of the preceding financial year. Total staff costs including directors' remuneration for the Period were approximately HK\$76.8 million (2007: HK\$71.6 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 Period, the Company did not grant any option under the share option scheme and the outstanding share options as at the end of the Period was 10,000,000 share options which were granted to certain Directors in previous years.

## **INTERIM DIVIDEND**

The Board of the Company does not recommend the payment of an interim dividend for the financial year ending 31st March, 2009.

The Board of the Company announces the unaudited condensed consolidated results of the Group for the Period together with the comparative figures for the corresponding period as set out below.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2008

	Notes	Six months ended	
		30th September, 2008 (Unaudited) HK\$'000	30th September, 2007 (Unaudited) HK\$'000
Continuing operations			
Revenue	2	432,267	653,422
Cost of sales		(18,320)	(15,849)
Cost of hotel and gaming operations		(104,414)	(96,564)
Gross profit		309,533	541,009
Other income		6,067	11,916
Loss on fair value change in investment properties		(76,131)	–
Impairment loss on property, plant and equipment		(9,889)	–
Selling and marketing expenses		(30,850)	(34,068)
Commission expenses in gaming operations		(106,661)	(232,997)
Administrative expenses		(81,811)	(110,782)
Finance costs		(12,739)	(18,823)
(Loss) profit before taxation		(2,481)	156,255
Taxation	4	(5,477)	(18,856)
(Loss) profit for the period from continuing operations	3	(7,958)	137,399
Discontinued operation			
Loss for the period from discontinued operation	3	–	(6,507)
(Loss) profit for the period	3&5	(7,958)	130,892

	Note	Six months ended	
		30th September, 2008 (Unaudited) HK\$'000	30th September, 2007 (Unaudited) HK\$'000
Attributable to:			
Equity holders of the Company		17,372	97,663
Minority interests		(25,330)	33,229
		<b>(7,958)</b>	130,892
Earnings per share			
From continuing and discontinued operations	6		
– basic		<b>HK\$0.02</b>	HK\$0.10
– diluted		<b>HK\$0.02</b>	HK\$0.10
From continuing operations			
– basic		<b>HK\$0.02</b>	HK\$0.11
– diluted		<b>HK\$0.02</b>	HK\$0.11

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September, 2008

	Notes	As at	
		30th September, 2008 (Unaudited) HK\$'000	31st March, 2008 (Audited) HK\$'000
<b>Non-current assets</b>			
Investment properties		<b>470,300</b>	656,200
Property, plant and equipment	7	<b>879,651</b>	867,423
Prepaid lease payments		<b>395,336</b>	304,010
Property under development	7	<b>572,540</b>	554,215
Prepayment for acquisition of property, plant and equipment		<b>7,451</b>	35,646
Goodwill		<b>72,938</b>	72,938
		<b>2,398,216</b>	2,490,432
<b>Current assets</b>			
Inventories, at cost		<b>5,020</b>	4,950
Trade and other receivables	8	<b>404,788</b>	677,196
Prepaid lease payments		<b>10,103</b>	7,732
Bank balances and cash		<b>395,588</b>	189,280
		<b>815,499</b>	879,158
<b>Current liabilities</b>			
Trade and other payables	9	<b>369,811</b>	456,207
Amounts due to related companies		<b>5,899</b>	6,875
Amounts due to minority shareholders of a subsidiary		<b>134,921</b>	122,036
Taxation payable		<b>58,561</b>	48,261
Secured bank borrowings – amounts due within one year		<b>42,868</b>	41,880
		<b>612,060</b>	675,259
Net current assets		<b>203,439</b>	203,899
Total assets less current liabilities		<b>2,601,655</b>	2,694,331

	As at 30th September, 2008 (Unaudited) HK\$'000	31st March, 2008 (Audited) HK\$'000
Non-current liabilities		
Amounts due to minority shareholders of a subsidiary	226,569	252,678
Secured bank borrowings – amounts due after one year	149,834	171,569
Deferred taxation	72,147	76,970
	<u>448,550</u>	<u>501,217</u>
Net assets	<u>2,153,105</u>	<u>2,193,114</u>
Capital and reserves		
Share capital	101	101
Reserves	1,699,315	1,713,138
Equity attributable to the equity holders of the Company	1,699,416	1,713,239
Minority interests	453,689	479,875
Total equity	<u>2,153,105</u>	<u>2,193,114</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30th September, 2008


	Attributable to the equity holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Capital		Share option reserve HK\$'000	Legal reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
			redemption reserve HK\$'000	Contributed surplus HK\$'000							
At 1st April, 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	-	-	-	-	-	-	5,286	-	5,286	-	5,286
Profit for the period	-	-	-	-	-	-	97,663	97,663	97,663	33,229	130,892
Total recognised income for the period	-	-	-	-	-	-	5,286	97,663	102,949	33,229	136,178
Issue of shares	10	170,773	-	-	-	-	-	-	170,783	-	170,783
Arising on acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	(54,888)	(54,888)
2007 final dividend payable	-	-	-	(82,684)	-	-	-	-	(82,684)	-	(82,684)
At 30th September, 2007	103	170,773	666	909,925	3,964	44	35,417	529,379	1,650,271	416,798	2,067,069
At 1st April, 2008	101	188,585	668	868,583	3,964	287	55,246	595,805	1,713,239	479,875	2,193,114
Exchange difference arising on translation of foreign operations recognised directly in equity	-	-	-	-	-	-	9,254	-	9,254	-	9,254
Profit (loss) for the period	-	-	-	-	-	-	-	17,372	17,372	(25,330)	(7,958)
Total recognised income (expense) for the period	-	-	-	-	-	-	9,254	17,372	26,626	(25,330)	1,296
Capital contribution arising from changes in cash flow estimates on amounts due to minority shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	(856)	(856)
2008 final dividend paid in cash	-	-	-	(40,449)	-	-	-	-	(40,449)	-	(40,449)
At 30th September, 2008	101	188,585	668	828,134	3,964	287	64,500	613,177	1,699,416	453,689	2,153,105

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2008

	Six months ended	
	30th	30th
	September,	September,
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash from operating activities	<b>312,057</b>	90,433
Net cash (used in) from investing activities	<b>(17,771)</b>	80,921
Net cash used in financing activities	<b>(88,015)</b>	(128,662)
Net increase in cash and cash equivalents	<b>206,271</b>	42,692
Cash and cash equivalents at the beginning of the period	<b>189,280</b>	216,442
Effect of foreign exchange rate changes	<b>37</b>	70
Cash and cash equivalents at the end of the period		
Bank balances and cash	<b>395,588</b>	259,204





# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September, 2008

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

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

The accounting policies adopted for preparation of the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2008 apart from the adoption of certain new Hong Kong Financial Reporting Standards, amendments and interpretations (collectively the “New HKFRSs”), issued by the HKICPA that are effective for accounting periods beginning on or after 1st April, 2008.

The adoption of the New HKFRSs had no material effect on how the results and financial position for the current or prior periods have been prepared and presented.

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

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

HKAS 1 (Revised)	Presentation of financial statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and separate financial statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation <sup>1</sup>
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets <sup>3</sup>
HKFRS 2 (Amendment)	Vesting conditions and cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business combinations <sup>2</sup>
HKFRS 8	Operating segments <sup>1</sup>
HK(IFRIC) – INT 13	Customer loyalty programmes <sup>3</sup>
HK(IFRIC) – INT 15	Agreements for the construction of real estate <sup>1</sup>
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2009

<sup>3</sup> Effective for annual periods beginning on or after 1st July, 2008

<sup>4</sup> Effective for annual periods beginning on or after 1st October, 2008

The adoption of HKFRS 3 (Revised) may affect the accounting treatment for business combination for which the acquisition date is on or after the beginning of the first annual reporting 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 anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

Certain comparative figures have been reclassified to conform with the Period's presentation.

## 2. REVENUE

An analysis of the Group's revenue, for both continuing and discontinued operations, is as follows:

	Six months ended	
	30th	30th
	September,	September,
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Continuing operations</b>		
<b>Hotel and gaming operations</b>		
Service income from gaming operation in VIP rooms	145,536	360,355
Service income from gaming operation in mass market halls	140,560	110,469
Service income from gaming operation in slot machine hall	19,394	22,667
Hotel room income	36,818	39,090
Marketing and promotion income	23,679	52,001
Food and beverage sales	34,462	33,259
Rental income from investment properties	18,882	28,647
Others	12,936	6,934
	432,267	653,422
<b>Discontinued operation</b>		
<b>Cruise and cruise-related operations</b>		
Rental income from gaming hall	-	15,092
Food and beverage sales	-	240
Room rental income	-	72
Others	-	892
	-	16,296
	432,267	669,718

### 3. SEGMENT INFORMATION

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

	Continuing operations		
	Hotel and gaming operations (Unaudited) HK\$'000	Property development (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
<b>For the six months ended 30th September, 2008</b>			
<b>REVENUE</b>	<b>432,267</b>	<b>-</b>	<b>432,267</b>
<b>RESULTS</b>			
Segment results	13,133	(90)	13,043
Finance costs	(12,739)	-	(12,739)
Unallocated corporate income			1,946
Unallocated corporate expenses			(4,731)
Loss before taxation			(2,481)
Taxation			(5,477)
Loss for the period			(7,958)

### 3. SEGMENT INFORMATION (continued)

	Continuing operations			Discontinued operation	Consolidated (Unaudited) HK\$'000
	Hotel and gaming operations (Unaudited) HK\$'000	Property development (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Cruise and cruise-related operations (Unaudited) HK\$'000	
For the six months ended 30th September, 2007					
REVENUE	653,422	–	653,422	16,296	669,718
RESULTS					
Segment results	178,432	(2,094)	176,338	(7,652)	168,686
Finance costs	(17,153)	–	(17,153)	–	(17,153)
Unallocated corporate income			3,684	–	3,684
Unallocated corporate expenses			(6,614)	–	(6,614)
Profit (loss) before taxation			156,255	(7,652)	148,603
Taxation			(18,856)	–	(18,856)
Gain on disposal of discontinued operation			–	1,145	1,145
Profit (loss) for the period			137,399	(6,507)	130,892

#### 4. TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30th September,		30th September,		30th September,	
	2008	2007	2008	2007	2008	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The charge comprises:						
Macau Complimentary						
Income Tax	10,300	19,111	-	-	10,300	19,111
Deferred taxation	(4,823)	(255)	-	-	(4,823)	(255)
	<b>5,477</b>	<b>18,856</b>	<b>-</b>	<b>-</b>	<b>5,477</b>	<b>18,856</b>

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

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

## 5. (LOSS) PROFIT FOR THE PERIOD

	Continuing operations		Discontinued operation		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30th September,		30th September,		30th September,	
	2008	2007	2008	2007	2008	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

(Loss) profit for the period has been arrived at after charging:

Impairment loss on trade receivables	18,721	16,847	-	-	18,721	16,847
Depreciation of property, plant and equipment	36,918	33,133	-	1,724	36,918	34,857
Operating lease rental in respect of rented premises	2,324	2,117	-	105	2,324	2,222
Release of prepaid lease payments	3,232	3,232	-	-	3,232	3,232

and after crediting:

Interest income from bank deposits	1,946	3,684	-	-	1,946	3,684
------------------------------------	-------	-------	---	---	-------	-------

## 6. 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:

	Six months ended	
	30th	30th
	September,	September,
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings:		
Earnings for the purpose of basic and diluted earnings per share	<b>17,372</b>	97,663

	Six months ended	
	30th	30th
	September,	September,
	2008	2007
	(Unaudited)	(Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<b>1,011,223,126</b>	952,246,126



## 6. EARNINGS PER SHARE (continued)

### From continuing operations

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

	Six months ended	
	30th September, 2008 (Unaudited) HK\$'000	30th September, 2007 (Unaudited) HK\$'000
Profit for the period attributable to the equity holders of the Company	17,372	97,663
Less: Loss for the period from discontinued operation	–	(6,507)
Earnings for the purpose of basic and diluted earnings per share from continuing operations	17,372	104,170

### From discontinued operation

Basic and diluted loss per share for discontinued operation in the prior period were HK\$0.01 per share (2008: n/a) and HK\$0.01 per share (2008: n/a) respectively, based on the loss for the prior period from the discontinued operation of approximately HK\$6,507,000 (2008: n/a).

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 was higher than the average market price of the Company's shares.

## 7. MOVEMENTS OF PROPERTY, PLANT AND EQUIPMENT AND PROPERTY UNDER DEVELOPMENT

An analysis of movements of the assets of the Group is as follows:

	Property, plant and equipment (Unaudited) HK\$'000	Property under development (Unaudited) HK\$'000
<b>CARRYING AMOUNTS</b>		
At 1st April, 2008	867,423	554,215
Currency realignment	19	15,251
Transfer from investment properties	15,000	–
Transfer to investment properties	(1,475)	–
Transfer from prepayment for acquisition of property, plant and equipment	35,646	–
Additions	9,845	2,421
Release of prepaid lease payments capitalised	–	653
Depreciation	(36,918)	–
Impairment loss recognised	(9,889)	–
<b>At 30th September, 2008</b>	<b>879,651</b>	<b>572,540</b>

## 8. TRADE AND OTHER RECEIVABLES

The Group normally allows credit periods of up to 60 days to its trade customers, except for certain worthy customers with long term relationship and stable repayment pattern, where the terms are extended to a longer period. As at the balance sheet date, the maximum credit period was extended to 300 days for certain customers. An aged analysis of the Group's trade receivables as at the balance sheet date is set out below:

	As at	
	30th September, 2008 (Unaudited) HK\$'000	31st March 2008 (Audited) HK\$'000
0 – 30 days	69,819	210,860
31 – 60 days	37,163	18,187
61 – 90 days	1,009	89,780
91 – 180 days	9,619	144,099
181 – 365 days	85,334	23,420
Over 1 year	10,254	–
	<b>213,198</b>	486,346
Chips on hand	176,053	166,255
Other receivables	15,537	24,595
	<b>404,788</b>	677,196

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

## 9. TRADE AND OTHER PAYABLES

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

	As at	
	30th	31st
	September,	March
	2008	2008
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
0 – 30 days	18,586	44,471
31 – 60 days	1,232	73
61 – 90 days	342	54
Over 90 days	477	942
	<b>20,637</b>	45,540
Short-term advances	15,000	45,000
Construction payables	187,414	189,825
Other payables	146,760	175,842
	<b>369,811</b>	456,207

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

## 10. COMMITMENTS

	As at	
	30th September, 2008 (Unaudited) HK\$'000	31st March, 2008 (Audited) HK\$'000
Authorised but not contracted for in respect of:		
– property development project	19,614	2,431
Contracted for but not provided in the consolidated financial statements, net of prepayments paid, in respect of:		
– property development project	417,886	404,276
– property, plant and equipment	3,442	1,611
	<b>421,328</b>	405,887
	<b>440,942</b>	408,318

## 11. 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 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 RMB83,620,000 (equivalent to HK\$95,398,000). The JV Partner contested the proceedings and counterclaimed against the Group for RMB100,000,000 (equivalent to HK\$114,085,000) 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 Period. No provision was made by the Group during the Period.

## 11. CONTINGENT LIABILITIES (continued)

- (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 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.

## 12. PLEDGE OF ASSETS

Certain assets of the Group were pledged to a bank as a security for a banking facility granted to the Group. The carrying values of these assets as at the balance sheet date were as follows:

	As at	
	30th September, 2008 (Unaudited) HK\$'000	31st March, 2008 (Audited) HK\$'000
Hotel property	587,090	584,902
Investment properties	470,300	656,200
Prepaid lease payments	358,595	265,584
	<b>1,415,985</b>	<b>1,506,686</b>

### 13. RELATED PARTY TRANSACTIONS

- (a) During the period, the Group had the following significant transactions with related parties:

	<b>Six months ended</b>	
	<b>30th</b>	<b>30th</b>
	<b>September,</b>	<b>September,</b>
	<b>2008</b>	<b>2007</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Advertising expenses to related companies	<b>145</b>	212
Commission to Dr. Yeung Sau Shing, Albert ("Dr. Albert Yeung"), a deemed substantial shareholder of the Company, in the capacity of a patron of the Group's VIP rooms	<b>313</b>	214
Interest expense to a related company	–	1,670
Performance related incentive payment to a director	<b>485</b>	1,224
Professional fee to a related company	<b>209</b>	27
Purchase of furnitures from a related company	<b>290</b>	–
Rental income from related companies	<b>1,536</b>	16,343
Sharing of administrative expenses with a related company	<b>5,986</b>	6,183

*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) Included in other payables as at 30th September, 2008 was an amount of HK\$4,420,000 (31st March, 2008: nil) due to Dr. Albert Yeung.

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

As at 30th September, 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. 439,138,571 shares of the Company were held by Worthly Strong Investment Limited (“Worthly Strong”), indirect wholly-owned subsidiary of Emperor International Holdings Limited (“Emperor International”). Emperor International is a company with its shares listed in Hong Kong. As at 30th September, 2008, 55.92% of the shares of Emperor International was 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. 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. By virtue of the aforesaid interests of Dr. Albert Yeung, Ms. Semon Luk (spouse of Dr. Albert Yeung and a 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 30th September, 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 (“Scheme”) on 2nd September, 2002 (the “Adoption Date”) to provide incentives or rewards to participants including the directors and eligible employees of the Group.

Under the Scheme, the Directors are authorised, at any time within ten years after the Adoption Date, to grant options to any participant 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. 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\$2.2 under the terms of the Scheme. The options were vested immediately at the date of grant.

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, 2008 and 30th September, 2008
Mr. Wong Chi Fai	11th August, 2005	11th August, 2005 to 10th August, 2015	HK\$2.2	5,000,000
Ms. Fan Man Seung, Vanessa	11th August, 2005	11th August, 2005 to 10th August, 2015	HK\$2.2	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 Period 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.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30th September, 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%
Jumbo Wealth (PTC) Limited (formerly Jumbo Wealth 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%
Artio Global Management LLC (formerly Julius Baer Investment Management L.L.C.)	Investment manager	68,378,999	6.76%



*Note:* 439,138,571 shares of the Company were held by Worthy Strong, indirect wholly-owned subsidiary of Emperor International. Emperor International is a company with its shares listed in Hong Kong. As at 30 September 2008, 55.92% of the shares of Emperor International was held by Charron. The entire issued share capital of Charron was beneficially owned by The A&A Unit Trust, the trustee of which was Jumbo Wealth (PTC) Limited. The A&A Unit Trust was a unit trust 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 439,138,571 shares held by Worthy Strong. 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 30th September, 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.

## **CORPORATE GOVERNANCE**

### **Code on Corporate Governance Practices**


The Company has complied throughout the Period with all the provisions of the Code on Corporate Governance Practice as set out in Appendix 14 of the Listing Rules.

### **Model Code for Securities Transactions**

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 of the Listing Rules as the rules governing dealings by the Directors in the listed securities of the Company. Having made specific enquiry to the Directors, all of them confirmed that they have complied with the required standard of dealings as set out in the Model Code.

## **REVIEW OF INTERIM REPORT**

The condensed consolidated financial statements as set out in this interim report had not been audited nor reviewed by the Company’s auditor, Deloitte Touche Tohmatsu, but the report had been reviewed by the audit committee of the Company, which comprises the three Independent Non-executive Directors of the Company.



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

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

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

Hong Kong, 16th December, 2008

*As at the date hereof, the Board of the Company comprised:*

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

*Executive Directors* : *Mr. Wong Chi Fai*  
*Ms. Fan Man Seung, Vanessa*  
*Ms. Mok Fung Lin, Ivy*

*Independent Non-executive Directors* : *Ms. Chan Sim Ling, Irene*  
*Ms. Chan Wiling, Yvonne*  
*Ms. Wan Choi Ha*