



**EMPEROR ENTERTAINMENT HOTEL LIMITED**  
**英皇娛樂酒店有限公司\***

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

**ANNOUNCEMENT OF RESULTS**  
**FOR THE YEAR ENDED 31ST MARCH, 2006**

The board of directors (the “Board” or “Directors”) of Emperor Entertainment Hotel Limited (the “Company”) announces the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31st March, 2006 (“Year”) together with the comparative figures for the corresponding year as set out below.

These consolidated financial statements have been audited by the Company’s auditors, Deloitte Touche Tohmatsu, and have been reviewed by the audit committee of the Company, which comprises of three Independent Non-executive Directors of the Company.

**CONSOLIDATED INCOME STATEMENT***For the year ended 31st March, 2006*

	<i>Notes</i>	<b>2006</b> <b>HK\$'000</b>	<b>2005</b> <b>HK\$'000</b>
Revenue	3	<b>345,796</b>	18,236
Cost of sales		<b>(9,816)</b>	(470)
Direct operating expenses		<b>(83,911)</b>	(6,355)
Gross profit		<b>252,069</b>	11,411
Fair value change in investment properties		<b>392,368</b>	–
Other income		<b>9,882</b>	3,348
Selling and marketing expenses		<b>(119,923)</b>	(328)
Administrative expenses		<b>(113,159)</b>	(11,929)
Reversal of allowance for deposit paid for the purchase of properties		–	15,168
Finance costs		<b>(11,084)</b>	(509)
Profit before taxation	4	<b>410,153</b>	17,161
Taxation	5	<b>(51,886)</b>	–
Profit for the year	3	<b>358,267</b>	17,161
Attributable to:			
Equity holders of the Company		<b>166,794</b>	17,596
Minority interests		<b>191,473</b>	(435)
		<b>358,267</b>	17,161
Dividends	6		
– Interim		<b>9,288</b>	–
– Proposed final		<b>18,575</b>	–
		<b>27,863</b>	–
Earnings per share	7		
– Basic		<b>HK\$0.18</b>	HK\$0.05
– Diluted		<b>HK\$0.18</b>	N/A

**CONSOLIDATED BALANCE SHEET**

At 31st March, 2006

	<b>2006</b> <b>HK\$'000</b>	2005 <i>HK\$'000</i> <i>(Restated)</i>
Non-current assets		
Investment properties	<b>510,100</b>	–
Property, plant and equipment	<b>1,008,022</b>	133,267
Prepaid lease payments	<b>313,453</b>	41,401
Property under development	<b>326,699</b>	317,819
Deposits made on acquisition of a subsidiary	–	196,757
Deposits made on acquisition of property, plant and equipment	<b>16,369</b>	4,899
Other assets	–	27,382
Goodwill	<b>18,301</b>	18,301
	<b><u>2,192,944</u></b>	<u>739,826</u>
Current assets		
Inventories, at cost	<b>3,147</b>	1,239
Trade and other receivables	<b>323,784</b>	4,952
Prepaid lease payments	<b>7,571</b>	1,078
Amount due from a related company	<b>11,347</b>	1,146
Bank balances and cash	<b>163,903</b>	525,961
	<b><u>509,752</u></b>	<u>534,376</u>
Current liabilities		
Trade and other payables	<b>223,354</b>	14,085
Amounts due to related companies	<b>144,901</b>	–
Secured bank borrowings		
– amounts due within one year	<b>37,046</b>	–
Taxation payable	<b>4,870</b>	–
	<b><u>410,171</u></b>	<u>14,085</u>
Net current assets	<b><u>99,581</u></b>	<u>520,291</u>
Total assets less current liabilities	<b><u>2,292,525</u></b>	<u>1,260,117</u>
Non-current liabilities		
Secured bank borrowings		
– amounts due after one year	<b>251,519</b>	–
Amount due to a related company	–	18,005
Amounts due to minority shareholders of a subsidiary	<b>479,296</b>	180,000
Deferred taxation	<b>52,617</b>	5,533
	<b><u>783,432</u></b>	<u>203,538</u>
Net assets	<b><u>1,509,093</u></b>	<u>1,056,579</u>
Capital and reserves		
Share capital	<b>93</b>	93
Reserves	<b>1,227,352</b>	1,056,937
Equity attributable to equity holders of the Company	<b>1,227,445</b>	1,057,030
Minority interests	<b>281,648</b>	(451)
Total equity	<b><u>1,509,093</u></b>	<u>1,056,579</u>

Notes:

## 1. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the Year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRS”s), Hong Kong Accounting Standards (“HKAS”s) and Interpretations (“INT”s) (hereinafter collectively referred to as “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are effective for accounting periods beginning on or after 1st January, 2005, except for HKFRS 3 “Business combination”, HKAS 36 “Impairment of assets” and HKAS 38 “Intangible assets” for which the Group had early adopted in the previous year. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and the consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have effects on how the results for the current or prior accounting periods are prepared and presented:

### **Share-based payment**

In the Year, the Group has applied HKFRS 2 “Share-based payment” (“HKFRS 2”) which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares, or in exchange for other assets equivalent in value to a given number of shares or rights over shares. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of the share options of the Company granted to participants thereunder including the Directors and eligible employees of the Group, which are calculated with reference to the market value of shares at the date of grant. Prior to the application of HKFRS 2, no share options were granted by the Company and accordingly, no retrospective restatement is required.

The adoption of HKFRS 2 has had a significant impact on the results of operations and financial position of the Group for the Year. An amount of HK\$3,964,000 representing the fair value of share options granted in August 2005, which vested immediately at the date of grant, was charged to the consolidated income statement during the Year, with an corresponding increase in share option reserve of HK\$3,964,000.

### **Hotel properties**

Hong Kong Interpretation 2 “The appropriate accounting policies for hotel properties” (“HK INT 2”) clarifies the accounting policy for owner-operated hotel properties. In previous years, depreciation is provided to write off the carrying value of leasehold land over the unexpired term of the lease. No depreciation is provided in respect of hotel buildings erected on leasehold land with an unexpired term of more than 20 years. HK INT 2 requires owner-operated hotel properties to be classified as property, plant and equipment in accordance with HKAS 16 “Property, plant and equipment”, and therefore be accounted for either using the cost model or the revaluation model. The Group has resolved to account for these hotel properties using the cost model.

### **Financial instruments**

In the Year, the Group has applied HKAS 32 “Financial instruments: Disclosure and presentation” and HKAS 39 “Financial instruments: Recognition and measurement”. HKAS 32 requires retrospective application. The implementation of HKAS 32 has had no material impact on the results for the current and prior years. HKAS 39, which is effective for accounting periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effect resulting from the implementation of HKAS 39 is summarised below.

#### *Financial liabilities other than debt and equity securities*

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

Prior to the application of HKAS 39, amounts due to minority shareholders of a subsidiary were stated at the nominal amount. HKAS 39 requires all financial assets and financial liabilities be measured at fair value on the initial recognition. Such amounts due to minority shareholders of a subsidiary are measured at amortised cost determined using the effective interest method at subsequent balance sheet dates. The Group has applied the relevant transitional provisions in HKAS 39. The change in accounting policy has resulted in a reduction of the carrying amount of amounts due to minority shareholders of a subsidiary as at 1st April, 2005 by approximately HK\$21,077,000, and an increase of minority interests as at 1st April, 2005 by approximately HK\$21,077,000. The effect of the change (including further advances from the minority shareholders of a subsidiary in the Year) on the results of the Year was to increase finance costs by approximately HK\$19,898,000, out of which an amount of approximately HK\$11,491,000 had been capitalised in property under development.

#### **Owner-occupied leasehold interest in land**

In previous years, owner-occupied leasehold land and buildings under development were included in property under development and measured using the cost model. In the Year, the Group has applied HKAS 17 “Leases” (“HKAS 17”). Under HKAS 17, the land and building elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and building elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight line basis. This change in accounting policy has been applied retrospectively.

As a result of the adoption of HKAS 17, the land element previously recorded in property under development amounting to HK\$43,532,000 was redesignated as “prepaid lease payments” as at 1st April, 2004.

#### **Investment properties**

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

#### **Deferred taxes related to investment properties**

In the Year, the Group has applied Hong Kong Standard Interpretations Committee Interpretation 21 “Income taxes – recovery of revalued non-depreciable assets” (“HK(SIC) Interpretation 21”) which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred taxation consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) Interpretation 21, this change in accounting policy has been applied retrospectively.

## 2. SUMMARY OF THE EFFECTS OF THE APPLICATION OF NEW ACCOUNTING POLICIES

The effects of the application of new accounting policies described above on the results for the Year are as follows:

	<b>2006</b> <b>HK\$'000</b>
Fair value change in investment properties	392,368
Depreciation	(61)
Share option expense	(3,964)
Imputed interest expense on amounts due to minority shareholders of a subsidiary (after deduction amount capitalised in property under development)	(8,407)
Deferred taxation related to investment properties	<u>(47,084)</u>
Increase in profit for the year	<u><u>332,852</u></u>
Attributable to:	
Equity holders of the Company	126,676
Minority interests	<u>206,176</u>
	<u><u>332,852</u></u>

The application of the new HKFRSs has no effect on 1st April, 2004. The cumulative effects of the application of the new HKFRSs as at 31st March, 2005 and 1st April, 2005 are summarised below:

	<b>31st March, 2005</b> <i>HK\$'000</i> (Originally stated)	<b>Retrospective adjustments</b> <i>HK\$'000</i>	<b>31st March, 2005</b> <i>HK\$'000</i> (Restated)	<b>Opening adjustments</b> <i>HK\$'000</i>	<b>1st April, 2005</b> <i>HK\$'000</i> (Restated)
Balance sheet items					
Prepaid lease payments	–	42,479	42,479	–	42,479
Property under development	360,298	(42,479)	317,819	–	317,819
Amounts due to minority shareholders of a subsidiary	<u>(180,000)</u>	–	<u>(180,000)</u>	21,077	<u>(158,923)</u>
Total effects on assets and liabilities		<u>–</u>		<u>21,077</u>	
Minority interests	<u>451</u>	<u>–</u>	<u>451</u>	<u>(21,077)</u>	<u>(20,626)</u>

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The Directors anticipate the application of these new standards, amendments and interpretations will have no material impact on the consolidated financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures <sup>1</sup>
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures <sup>2</sup>
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions <sup>2</sup>
HKAS 39 (Amendment)	The fair value option <sup>2</sup>
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts <sup>2</sup>
HKFRS 6	Exploration for and evaluation of mineral resources <sup>2</sup>
HKFRS 7	Financial instruments: Disclosures <sup>1</sup>
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease <sup>2</sup>
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds <sup>2</sup>
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment <sup>3</sup>

HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>4</sup>
HK(IFRIC) – INT 8	Scope of HKFRS 2 <sup>5</sup>
HK(IFRIC) – INT 9	Reassessment of embedded derivatives <sup>6</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1st December, 2005.

<sup>4</sup> Effective for annual periods beginning on or after 1st March, 2006.

<sup>5</sup> Effective for annual periods beginning on or after 1st May, 2006.

<sup>6</sup> Effective for annual periods beginning on or after 1st June, 2006.

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

#### (a) Business segments

	2006				
	Hotel and gaming operations <i>HK\$'000</i>	Cruise and cruise related operations <i>HK\$'000</i>	Property sales and development <i>HK\$'000</i>	Unallocated corporate items <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>REVENUE</b>	<b>207,901</b>	<b>137,895</b>	<b>-</b>	<b>-</b>	<b>345,796</b>
<b>RESULTS</b>					
Segment results	386,466	49,382	(2,561)	(14,488)	418,799
Interest income					2,438
Finance costs					(11,084)
Profit before taxation					410,153
Taxation					(51,886)
Profit for the year					<b>358,267</b>
<b>BALANCE SHEET</b>					
Assets					
Segment assets	1,999,333	150,818	388,150	164,395	<b>2,702,696</b>
Liabilities					
Segment current liabilities	216,656	6,057	143	498	223,354
Amounts due to related companies	76,863	242	-	67,796	144,901
Amounts due to minority shareholders of a subsidiary	479,296	-	-	-	479,296
Deferred taxation					52,617
Unallocated corporate liabilities					293,435
					<b>1,193,603</b>
<b>OTHER INFORMATION</b>					
Additions to property under development, property, plant and equipment, prepaid lease payments and other assets	1,246,000	6,596	-	-	1,252,596
Release of prepaid lease payments	1,616	-	-	-	1,616
Depreciation of property, plant and equipment	15,921	5,936	19	-	21,876
Write-off of property, plant and equipment	-	4	16	-	20

	2005				Total
	Hotel and gaming operations <i>HK\$'000</i>	Cruise and cruise related operations <i>HK\$'000</i>	Property sales and development <i>HK\$'000</i>	Unallocated corporate items <i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	<u>-</u>	<u>18,236</u>	<u>-</u>	<u>-</u>	<u>18,236</u>
RESULTS					
Segment results	(956)	6,071	17,221	(5,027)	17,309
Interest income					361
Finance cost					(509)
Profit before taxation					17,161
Taxation					-
Profit for the year					<u>17,161</u>
BALANCE SHEET					
Assets					
Segment assets	365,070	138,895	379,955	390,282	<u>1,274,202</u>
Liabilities					
Segment current liabilities	5,862	6,966	343	914	14,085
Amount due to a related company	18,005	-	-	-	18,005
Amounts due to minority shareholders of a subsidiary	180,000	-	-	-	180,000
Deferred taxation					5,533
					<u>217,623</u>
OTHER INFORMATION					
Additions to property under development, property, plant and equipment, other assets and goodwill	27,382	134,052	18,469	-	179,903
Deposits made on acquisition of a subsidiary	196,757	-	-	-	196,757
Depreciation of property, plant and equipment	-	944	7	-	951
Write-off of property, plant and equipment	-	-	14	-	14
Goodwill charged to the income statement	<u>71</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>78</u>



**(b) Geographical segments**

			<b>Revenue</b>	
	<b>2006</b>		<b>2005</b>	
	<b>HK\$'000</b>		<b>HK\$'000</b>	
Macau	207,901		–	
International waters	135,019		17,882	
Hong Kong	2,876		354	
	<u>345,796</u>		<u>18,236</u>	
			<b>Additions to property under development, property, plant and equipment, prepaid lease payments, other assets and goodwill</b>	
			<b>2006</b>	<b>2005</b>
	<b>2006</b>	<b>2005</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>		
Macau	2,159,394	229,758	1,246,000	27,382
Mainland China	388,633	379,956	–	18,469
Hong Kong	8,449	528,570	2,187	146
Other Asia Pacific areas, including international waters	146,019	135,591	4,409	133,906
Other areas	201	327	–	–
	<u>2,702,696</u>	<u>1,274,202</u>	<u>1,252,596</u>	<u>179,903</u>

**4. PROFIT BEFORE TAXATION**

	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit before taxation has been arrived at after charging:		
Auditors' remuneration	2,442	690
Depreciation of property, plant and equipment	21,876	951
Goodwill charged to the income statement and included in administrative expenses	–	78
Operating lease rentals in respect of		
– rented premises	2,882	68
– equipment	30	–
Release of prepaid lease payments	1,616	–
Staff costs, including directors' remuneration and retirement benefit scheme contributions	77,622	5,792
Write-off of property, plant and equipment	20	14
and after crediting:		
Interest income from:		
– bank and other deposits	2,438	6
– a minority shareholder of a subsidiary	–	355
Negative goodwill credited to the income statement	63	–
Reversal of allowance for amount due from a minority shareholder of a subsidiary	–	2,609
	<u>–</u>	<u>2,609</u>

**5. TAXATION**

	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
The charge comprises:		
Macau Complimentary Income Tax	4,870	–
PRC Enterprise Income Tax		
– overprovision in prior years	(68)	–
Deferred taxation	47,084	–
	<u>51,886</u>	<u>–</u>

The Macau Complimentary Income Tax is calculated progressively at a maximum of 12% of the estimated assessable profits for the year. The PRC Enterprise Income Tax is calculated at the rates prevailing in the People's Republic of China (the "PRC").

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

## 6. DIVIDENDS

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Interim paid: HK1.0 cent per share (2005: nil)	9,288	–
Final proposed: HK2.0 cents per share (2005: nil)	18,575	–
	<u>27,863</u>	<u>–</u>

The Board declared the payment of final dividend of HK2.0 cents per share for the Year and is subject to approval by the shareholders in the forthcoming annual general meeting.

## 7. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share are as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Earnings for the purpose of calculating basic and diluted earnings per share	<u>166,794</u>	<u>17,596</u>
	Number of shares	
	2006	2005
Number of shares for the purpose of calculating basic earnings per share	928,771,980	<u>367,647,583</u>
Effect of dilutive potential shares – share options	<u>616,303</u>	
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>929,388,283</u>	

## 8. TRADE AND OTHER RECEIVABLES

The Group allows credit periods of up to 60 days to its trade customers. An aged analysis of the Group's trade receivables at the balance sheet date is set out below:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
0-30 days	185,121	–
31-60 days	7,575	–
61-90 days	4,844	–
	<u>197,540</u>	–
Chips on hand	102,816	–
Other receivables	23,428	4,952
	<u>323,784</u>	<u>4,952</u>

Chips on hand represents chips issued by a gaming concessionaire in Macau. The Directors consider that the carrying amount of trade and other receivables approximates to its fair value.

## 9. TRADE AND OTHER PAYABLES

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

	2006 HK\$'000	2005 HK\$'000
0-30 days	43,243	3,163
31-60 days	1,708	466
61-90 days	284	–
91-180 days	129	–
	<hr/>	<hr/>
	45,364	3,629
Short-term advances	45,000	–
Other payables	132,990	10,456
	<hr/>	<hr/>
	<b>223,354</b>	<b>14,085</b>
	<hr/> <hr/>	<hr/> <hr/>

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

The Directors consider that the carrying amount of trade and other payables approximates to its fair value.

### FINAL DIVIDEND

The Board declared the payment of a final dividend of HK\$0.02 per share ("Dividend") for the year ended 31st March, 2006 amounting to approximately HK\$18,575,000, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on 24th August, 2006. If approved, the Dividend will be paid on 23rd October, 2006 to shareholders whose names appear on Register of members of the Company on 22nd September, 2006.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed, for the purpose of determining shareholders' entitlement to the Dividend, from 20th September, 2006 (Wednesday) to 22nd September, 2006 (Friday) (both days inclusive), during which period no share transfer will be effected.

In order to qualify for the Dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on 19th September, 2006 (Tuesday).

### MANAGEMENT DISCUSSION AND ANALYSIS

The Year is the first time the Group incorporated a full-scale gaming operation in its financial results. The Group's recently-acquired cruise vessel the "Golden Princess" made a fair contribution to the earnings of the Group, while the flagship project – the Grand Emperor Hotel in the Macau Special Administrative Region made a solid debut and contributed cashflow following commencement of operations in January 2006.

Revenue for the Group was HK\$345.8 million during the Year, compared with HK\$18.2 million in 2005, while net profit was HK\$166.8 million, up from HK\$17.6 million in the previous year. The construction of the Group's property development project – a shopping arcade and serviced apartment complex in Shanghai, the PRC – is proceeding as planned and is expected to be completed in 2008.

### OPERATIONAL REVIEW

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

#### CRUISE AND CRUISE-RELATED ACTIVITIES

The Group received revenue of approximately HK\$137.9 million and profit of approximately HK\$49.4 million from this segment during the Year, "Golden Princess" was acquired in February, 2005 from the Company's substantial shareholder. The cruise liner provides entertainment, gaming and accommodation to a maximum of 570 guests.

Revenue from this segment was derived from rental and operation of cruise-related activities. This segment constitutes a stable revenue stream, generating steady cashflow for the Group.

#### HOTEL AND GAMING OPERATIONS

This segment, referring to the Grand Emperor Hotel in Macau, is the principal business of the Group. To get in early in the fast growing and lucrative market, the Group chose to acquire an existing building and convert it into a gaming hotel. The hotel officially commenced business in January 2006, following only a 12-month renovation period. It was the Group's first hotel to launch in Macau in 2006.

The Grand Emperor Hotel is located at the heart of Macau's city centre, a short distance from the main ferry terminal and the casino landmark Hotel Lisboa. Targeting medium to high rollers, the Grand Emperor Hotel has 136,660 square feet of gaming space spreading over seven floors, offering 333 slot machine seats and 86 gaming tables in gaming concourses and VIP rooms featuring mainly baccarat – the most popular game in Macau with the best odds among major table games.

The luxuriously designed hotel also provides comprehensive entertainment and dining facilities with a European-themed decor. It has 291 hotel rooms, including the fabulously appointed The Emperor Suite, which at a size of more than 7,000 square feet offers stimulation for every sense, with its private rooftop garden balcony, sauna room, card room, snooker room and karaoke room.

The hotel also boasts its famous “golden avenue”, the only gold-laden pavement in the world. The avenue has 78 pieces of one-kilogram gold bars along the footpath in the hotel lobby. Together with one of Asia's largest display screens installed along its facade, the hotel is an eye-catching landmark in Macau and a must-see spot for tourists.

The Group owns 45% of the project. With management control vesting in the Group and other stakeholders remaining passive investors, the project's financials are consolidated into the Group's financial statements in order to provide transparency for the market and investors.

Since the commencement of business in January 2006, the hotel has been well-received and garnered significant market share in Macau, the world's second biggest gaming market.

### **Gaming**

Given the fact that the casino has been in operation for approximately three months during the period under review, the Group was satisfied with the casino operations, the performance of which was in line with management expectations. All segments picked up quickly after the Year and expenses stabilised after the hotel's opening. The management expected further advancement when the hotel operates at a full capacity of 64 gaming tables and eight VIP rooms.

#### *Gaming Concourse*

During the period under review, the Group had 44 tables operating in the mass market-targeted concourse, contributing a gross win of HK\$87.5 million. Income was HK\$35.0 million since the hotel soft launched in early January 2006. The 44 tables returned an average win of approximately HK\$23,000 per table per day.

#### *Slots*

Slot machines contributed a gross win of HK\$19.7 million during the Year. The 333 seats had an average win of approximately HK\$700 per day. Income was HK\$6.1 million during the period under review.

#### *VIP Room – Self-operated*

The Group has been running one of the six VIP rooms inside the hotel since the hotel opened in January 2006. The six tables – all offer baccarat – recorded a rolling of HK\$11.1 billion and an income of HK\$117.5 million. Win percentage (calculated before discounts and commissions) was 2.7%. Average win per table per day was approximately HK\$579,000.

#### *Other VIP Rooms*

The Group received contribution from five of the six VIP rooms operating within the hotel. Revenue was HK\$7.8 million during the period under review.

### **Non-gaming**

The Grand Emperor Hotel recorded non-gaming revenue of HK\$24.7 million, comprising mainly contributions from hotel rooms, food and beverage, as well as rentals from sauna, night club and retail outlets on the ground floor of the hotel.

The hotel rooms had an average daily rate of approximately HK\$800 during the Year. Occupancy of the available guestrooms was 64%. As a result of active marketing and promotions, occupancy experienced a fast upward trend, reaching an average of above 80% in the months after the reporting period.

Income from food & beverage was HK\$8.6 million. Rental from sauna, night club and retail space was HK\$3.0 million.

## **PROPERTY SALES AND DEVELOPMENT**

This segment recorded a loss of approximately HK\$2.6 million.

The property development project – to develop a retail and entertainment complex on the 22,870 square meter site close to Yu Yuan, Shanghai – was in the investment stage during the reporting period. The Group envisages lucrative returns from the project, in which it contributed only the land, with construction being undertaken by its local partner which shared a 50:50 split. Potential market risk was covered by a put option.

The main body of the project will be a multi-storey shopping arcade, and the entire project is expected to have area of more than 110,000 square metres. During the Year, the project completed piling foundation work and basement excavation commenced in June 2006.

The Group has been fine-tuning construction plans and designs in order to maximise the future returns of the project, which should contribute significant rental income to the Group. Construction proceeded in line with management expectations and the plans of the local government, which will later this year start building an extension route for the Shanghai Metro.

The new M10 route will be adjacent to the Group's site and there will be entrances and exits connecting to and from the shopping mall. These plans should contribute large volumes of passenger flow to the Group's retail property and hence support and boost the future commercial value of the development. The M10 route is expected to launch in 2009, while the Group's project will complete construction in 2008.

## **CAPITAL STRUCTURE**

There is no change in the share capital of the Company during the Year.

On 2nd November, 2005, the shareholders of the Company in a special general meeting approved a capital reorganisation by way of cancellation of the share premium ("Share Premium Cancellation"). Pursuant to the Share Premium Cancellation, the entire amount standing to the credit of the share premium account of the Company was cancelled, with part of the credit arising therefrom being applied to eliminate the accumulated losses of the Company as at 31st March, 2005 in the sum of HK\$711.6 million in full and the remaining balance of the credit in the amount of HK\$543.4 million being credited to the contributed surplus account of the Company. The Share Premium Cancellation was completed on 9th November, 2005.

## **USE OF PROCEEDS**

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

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the Year, the Group mainly funded its operations and capital expenditure through bank borrowings, advances from related companies and minority shareholders of a subsidiary. As at 31st March, 2006, the bank borrowings which were denominated in Hong Kong dollar, secured, interest bearing and had fixed repayment term amounted to HK\$288.6 million. The advances from related companies were HK\$144.9 million, which were denominated in Hong Kong dollars, unsecured, non-interest bearing and repayable on demand. The advances from the minority shareholders which were denominated in Hong Kong dollars, unsecured and non-interest bearing totalled HK\$479.3 million.

The Group's current assets and current liabilities as at the end of the Year were HK\$509.8 million and HK\$410.2 million respectively. The gearing ratio of the Group (expressed as a percentage of total borrowings over net asset value) increased from 19% in the preceding financial year to 74%, which was mainly due to additional advances from related companies and minority shareholders of a subsidiary as well as the new bank borrowings raised during the Year.

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, 2006 totalling HK\$163.9 million were denominated in Hong Kong dollars, Macau Pataca and Renminbi. With the borrowings and bank balances and cash on hand denominated in Hong Kong dollars, Macau Pataca and Renminbi, the Group experienced no significant exposure to foreign exchange rate fluctuation for the Year.

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

#### **PLEDGE OF ASSETS**

As at the end of the Year, assets with carrying values of HK\$1.3 billion were pledged to a bank as security for a banking facility granted to the Group.

#### **COMMITMENTS AND CONTINGENCIES**

As at 31st March, 2006, the Group had total commitments of HK\$54.3 million, of which HK\$51.6 million was for a property development project in Shanghai and HK\$2.7 million for purchase of property, plant and equipment. The Group also had a contingent liability of a maximum amount of HK\$431.5 million in respect of construction contracts entered into by the Group on behalf of a joint venture partner of a property development project in Shanghai.

#### **NUMBER AND REMUNERATION OF EMPLOYEES**

With the commencement of new hotel and gaming businesses in Macau, as at 31st March, 2006, the number of employees of the Group increased to 1,022 (2005: 320). Total staff costs, including Directors' remuneration, for the Year were HK\$77.6 million (2005: HK\$5.8 million). All employees are under remuneration policy of fixed monthly salary with discretionary bonus.

To provide incentives or rewards to the staff, the Company adopted a share option scheme on 2nd September, 2002. During the Year, the Company granted a total of 10,000,000 options to certain Directors.

#### **PROSPECTS**

With the opening of the Grand Emperor Hotel in Macau in January this year, the Group has repositioned itself as a full-scale gaming operation enjoying significant contributions from gaming.

To provide the best returns for shareholders and stakeholders, the Group has chosen not to pursue a concept strategy, but instead making best use of its investment resources in a managed capacity, securing market share ahead of the entry of other sizable casinos in Macau to achieve early results. Despite an already crowded market, the Grand Emperor Hotel has managed to establish a significant presence in Macau and gain gaming expertise and experience in a short period of time.

The Group saw both gaming and hotel operations improving after the reporting period and expects further advancement in future. It also anticipates increasing contributions from the gaming arm, with the inclusion of additional slot machines and when the hotel operates at a full capacity of 64 gaming tables in the mass market-targeted concourse, following the increased supply of dealers from Sociedade de Jogos de Macau, S.A., the gaming concessionaire and a passive investor in the hotel project.

Looking ahead, the Group will not settle for a single project in the lucrative Macau market. Instead, it is actively looking for expansion possibilities with further utilisation of the Group's execution strength and rich assets in the entertainment industry.

Meanwhile, the Group will continue to explore potential business opportunities elsewhere to maximise shareholders' return.

## **CORPORATE GOVERNANCE**

The Company had complied throughout the year ended 31st March, 2006 with all the provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that (i) the Non-executive Directors of the Company were not appointed for a specific term as set out in Appendix 14 of the Listing Rules, however, they are subject to retirement and re-election at each annual general meeting in accordance with the Bye-laws of the Company; and (ii) the Chairperson had not attended the annual general meeting of the Company held on 25th August, 2005 as she was not in Hong Kong.

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

During the Year, 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, 19th July, 2006

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

*\* for identification purposes only*

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