



# **EMPEROR ENTERTAINMENT HOTEL LIMITED**

**英皇娛樂酒店有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock Code : 296)

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH, 2007**

The board of directors (the “Board” or “Directors”) of Emperor Entertainment Hotel Limited (the “Company”) announces the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31st March, 2007 together with the comparative figures for the corresponding year as set out below.

## CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2007

		2007	2006
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	<b>1,310,007</b>	345,796
Cost of sales		<b>(38,393)</b>	(9,816)
Direct operating expenses		<b>(214,812)</b>	(83,911)
Gross profit		<b>1,056,802</b>	252,069
Fair value change in investment properties		<b>171,100</b>	392,368
Other income		<b>10,674</b>	9,882
Selling and marketing expenses		<b>(517,306)</b>	(119,923)
Administrative expenses		<b>(231,392)</b>	(113,159)
Finance costs		<b>(46,658)</b>	(11,084)
Profit before taxation	4	<b>443,220</b>	410,153
Taxation	5	<b>(34,102)</b>	(51,886)
Profit for the year	3	<b><u>409,118</u></b>	<b><u>358,267</u></b>
Attributable to:			
Equity holders of the Company		<b>272,493</b>	166,794
Minority interests		<b>136,625</b>	191,473
		<b><u>409,118</u></b>	<b><u>358,267</u></b>
Dividends	6		
– Interim paid		<b>37,151</b>	9,288
– Final paid		<b>18,575</b>	–
		<b><u>55,726</u></b>	<b><u>9,288</u></b>
– Final proposed		<b><u>74,302</u></b>	<b><u>18,575</u></b>
Earnings per share	7		
– Basic		<b><u>HK\$0.29</u></b>	<b><u>HK\$0.18</u></b>
– Diluted		<b><u>HK\$0.29</u></b>	<b><u>HK\$0.18</u></b>

## CONSOLIDATED BALANCE SHEET

At 31st March, 2007

		2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties		681,200	510,100
Property, plant and equipment		986,217	1,008,022
Prepaid lease payments		307,640	313,453
Property under development		485,671	326,699
Deposits made on acquisition of property, plant and equipment		2,288	16,369
Goodwill		18,301	18,301
		<u>2,481,317</u>	<u>2,192,944</u>
<b>Current assets</b>			
Inventories, at cost		4,046	3,147
Trade and other receivables	8	494,647	323,784
Prepaid lease payments		7,619	7,571
Amount due from a related company		968	11,347
Bank balances and cash		216,442	163,903
		<u>723,722</u>	<u>509,752</u>
<b>Current liabilities</b>			
Trade and other payables	9	404,776	223,354
Amounts due to related companies		103,906	144,901
Amounts due to minority shareholders of a subsidiary		125,720	–
Taxation payable		18,130	4,870
Secured bank borrowings – amounts due within one year		39,845	37,046
		<u>692,377</u>	<u>410,171</u>
<b>Net current assets</b>		<u>31,345</u>	<u>99,581</u>
<b>Total assets less current liabilities</b>		<u>2,512,662</u>	<u>2,292,525</u>

**CONSOLIDATED BALANCE SHEET (Continued)***At 31st March, 2007*

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<b>Non-current liabilities</b>		
Amounts due to minority shareholders of a subsidiary	<b>328,492</b>	479,296
Secured bank borrowings – amounts due after one year	<b>213,031</b>	251,519
Deferred taxation	<b>73,459</b>	52,617
	<hr/> <b>614,982</b>	<hr/> 783,432
<b>Net assets</b>	<b><u>1,897,680</u></b>	<b><u>1,509,093</u></b>
<b>Capital and reserves</b>		
Share capital	<b>93</b>	93
Reserves	<b>1,459,130</b>	1,227,352
	<hr/> <b>1,459,223</b>	<hr/> 1,227,445
Equity attributable to equity holders of the Company	<b>438,457</b>	281,648
Minority interests	<hr/> <b>438,457</b>	<hr/> 281,648
<b>Total equity</b>	<b><u>1,897,680</u></b>	<b><u>1,509,093</u></b>

Notes:

## 1. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKAS”) and Interpretations (“INT”) (hereinafter collectively referred to as “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are effective for the Group’s financial year beginning on 1st April, 2006. 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 not early applied the following new and revised standards, amendment or interpretations that have been issued but are not yet effective. The Directors anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>2</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC) – INT 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives <sup>4</sup>
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment <sup>5</sup>
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions <sup>6</sup>
HK(IFRIC) – INT 12	Service Concession Arrangements <sup>7</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, 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1st May, 2006.

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

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

<sup>6</sup> Effective for annual periods beginning on or after 1st March, 2007.

<sup>7</sup> Effective for annual periods beginning on or after 1st January, 2008.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the HKFRSs issued by the HKICPA and 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 certain properties which are measured at revalued amounts and certain financial instruments which were adjusted to fair value at initial recognition.

The accounting policies adopted for preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2006.

Notes: (Continued)

### 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

	2007					Total HK\$'000
	Hotel and gaming operations HK\$'000	Cruise and cruise- related operations HK\$'000	Property sales and development HK\$'000	Total of all segments HK\$'000	Unallocated corporate items HK\$'000	
<b>REVENUE</b>	<b><u>1,186,689</u></b>	<b><u>123,318</u></b>	<b><u>-</u></b>	<b><u>1,310,007</u></b>	<b><u>-</u></b>	<b><u>1,310,007</u></b>
<b>RESULTS</b>						
Segment results	463,486	34,945	(4,053)	494,378	(9,901)	484,477
Interest income	-	-	-	-	5,401	5,401
Finance costs	(30,100)	-	-	(30,100)	(16,558)	(46,658)
Profit before taxation						443,220
Taxation						(34,102)
Profit for the year						<b><u>409,118</u></b>
<b>BALANCE SHEET</b>						
Assets						
Segment assets	2,305,783	133,989	548,169	2,987,941	217,098	<b><u>3,205,039</u></b>
Liabilities						
Segment liabilities	254,270	7,440	141,738	403,448	19,458	422,906
Amounts due to related companies	68,026	-	-	68,026	35,880	103,906
Amounts due to minority shareholders of a subsidiary	454,212	-	-	454,212	-	454,212
Deferred taxation						73,459
Unallocated corporate liabilities						252,876
						<b><u>1,307,359</u></b>

Notes: (Continued)

**3. SEGMENT INFORMATION (Continued)**

**(a) Business segments (Continued)**

	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>	Total of all segments <i>HK\$'000</i>	Unallocated corporate items <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE	<u>207,901</u>	<u>137,895</u>	<u>–</u>	<u>345,796</u>	<u>–</u>	<u>345,796</u>
RESULTS						
Segment results	386,466	49,382	(2,561)	433,287	(14,488)	418,799
Interest income	–	–	–	–	2,438	2,438
Finance costs	(5,368)	–	–	(5,368)	(5,716)	(11,084)
Profit before taxation						410,153
Taxation						<u>(51,886)</u>
Profit for the year						<u>358,267</u>
BALANCE SHEET						
Assets						
Segment assets	1,999,333	150,818	388,150	2,538,301	164,395	<u>2,702,696</u>
Liabilities						
Segment liabilities	216,656	6,057	143	222,856	498	223,354
Amounts due to related companies	76,863	242	–	77,105	67,796	144,901
Amounts due to minority shareholders of a subsidiary	479,296	–	–	479,296	–	479,296
Deferred taxation						52,617
Unallocated corporate liabilities						<u>293,435</u>
						<u>1,193,603</u>

Notes: (Continued)

#### 4. PROFIT BEFORE TAXATION

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Allowance for bad and doubtful debts	9,578	–
Auditors' remuneration	3,507	2,442
Depreciation of property, plant and equipment	72,644	21,876
Release of prepaid lease payments	6,465	1,616
Staff costs, including directors' remuneration and retirement benefit scheme contributions	149,089	77,622
Write-off of property, plant and equipment	–	20
and after crediting:		
Gain on disposal of property, plant and equipment	350	–
Interest income from bank deposits	5,401	2,438
Negative goodwill credited to the consolidated income statement	–	63
	<u>–</u>	<u>63</u>

#### 5. TAXATION

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
The charge comprises:		
Macau Complimentary Income Tax		
– current year	15,865	4,870
– overprovision in prior year	(2,605)	–
	<u>13,260</u>	<u>4,870</u>
PRC Enterprise Income Tax		
– overprovision in prior years	–	(68)
Deferred taxation	<u>20,842</u>	<u>47,084</u>
	<u>34,102</u>	<u>51,886</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.



Notes: (Continued)

## 6. DIVIDENDS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
Interim paid: HK4.0 cents per share (2006: HK1.0 cent per share)	37,151	9,288
Final paid: HK2.0 cents per share (2006: nil)	<u>18,575</u>	<u>–</u>
	<u><b>55,726</b></u>	<u><b>9,288</b></u>

The Board of Directors proposed the payment of a final dividend of HK8.0 cents per share (2006: HK2.0 cents per share) for the year ended 31st March, 2007 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:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Earnings attributable to equity holders of the Company for the purpose of calculating basic and diluted earnings per share	<u>272,493</u>	<u>166,794</u>
	<b>Number of shares</b>	
	2007	2006
Number of shares for the purpose of calculating basic earnings per share	928,771,980	928,771,980
Effect of dilutive potential shares – share options ( <i>note</i> )	<u>–</u>	<u>616,303</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u><b>928,771,980</b></u>	<u><b>929,388,283</b></u>

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

Notes: (Continued)

## 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 as at the balance sheet date is set out below:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
0-30 days	318,640	185,121
31-60 days	36,048	7,575
61-90 days	931	4,844
91-180 days	3,619	–
Over 180 days	12	–
	<hr/>	<hr/>
Chips on hand	359,250	197,540
Other receivables	108,292	102,816
	<hr/>	<hr/>
	<b>27,105</b>	23,428
	<hr/>	<hr/>
	<b>494,647</b>	<b>323,784</b>
	<hr/> <hr/>	<hr/> <hr/>

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

## 9. TRADE AND OTHER PAYABLES

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
0-30 days	59,762	43,243
31-60 days	1,172	1,708
61-90 days	178	284
91-180 days	67	129
	<hr/>	<hr/>
Short-term advances	61,179	45,364
Construction payables	45,000	45,000
Other payables	173,677	47,511
	<hr/>	<hr/>
	<b>124,920</b>	85,479
	<hr/>	<hr/>
	<b>404,776</b>	<b>223,354</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 its fair value.

## **FINAL DIVIDEND**

The Board declared the payment of a final dividend of HK\$0.08 per share (“Dividend”) for the year ended 31st March, 2007 amounting to approximately HK\$74,302,000, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on 20th September, 2007. If approved, the Dividend will be paid on 4th October, 2007 to shareholders whose names appear on register of members of the Company on 20th September, 2007.

## **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 18th September, 2007 (Tuesday) to 20th September, 2007 (Thursday) (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 (to be renamed as Tricor Secretaries Limited with effect from 1st August, 2007), at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on 17th September, 2007 (Monday).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The year under review which ended 31st March, 2007 was the first 12-month financial period in which the Group has operated a full-scale gaming and entertainment platform.

The Group’s flagship project, Grand Emperor Hotel in Macau, had provided solid and steady contributions following the commencement of its operations in January 2006. The Group also saw contribution from its wholly-owned cruise vessel, the Golden Princess.

The construction of the Group’s property development project - a shopping arcade and serviced apartment complex in Shanghai - is underway and is expected to be completed in 2009.

Turnover for the year soared 278.8% to approximately HK\$1.31 billion during the year, up from approximately HK\$345.8 million in 2006. Profit attributable to the shareholders of the Company rose 63.4% to approximately HK\$272.5 million, up from approximately HK\$166.8 million previously.

## **OPERATION REVIEW**

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

### **Hotel and Gaming Operations**

The Grand Emperor Hotel in Macau is the Group’s flagship project. The hotel commenced business in January 2006 to get an early foothold in the fast growing and lucrative gaming market in Macau. The year marks the first year which recorded a full 12-month operation by the Group as a full-scale gaming and entertainment conglomerate, with positive contributions from all segments, gaming and non-gaming alike.

## **OPERATION REVIEW** *(Continued)*

### **Hotel and Gaming Operations** *(Continued)*

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. It offers 348 slot machine seats and approximately 90 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 and 291 hotel rooms.

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

Since the commencement of business in January 2006, the Grand Emperor Hotel has quickly established its brand-name in Macau, the world's largest gaming market. Despite intensifying industry competition with the arrival of several new players in the market, the project recorded turnover of approximately HK\$1.2 billion (2006: HK\$207.9 million), and its segment profit reached approximately HK\$463.5 million (2006: HK\$386.5 million), of which HK\$171.1 million was arisen from a fair value change of leased-out areas of the Grand Emperor Hotel. The Group, which holds effectively 45% interest of the project during the year, shared the fair value change, net of the deferred tax, of approximately HK\$52.4 million.

### **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 amid intensifying competition. All segments had recorded remarkable growth in revenue.

#### *Gaming Concourse*

During the year, the Group had increased the number of tables in operation in the mass market-targeted concourse to 52 from 44 in 2006. The cautious and gradual expansion had resulted in a growth in both gross win as well as average win per table per day.

The gaming concourse contributed a gross win of approximately HK\$494.6 million (2006: HK\$87.5 million), with an average win of approximately HK\$28,000 (2006: HK\$23,000) per table per day. Revenue for the year was approximately HK\$198.0 million (2006: HK\$35.0 million).

#### *Slots*

The Group operated 348 slot seats (2006: 333 seats) which contributed gross win of approximately HK\$119.3 million (2006: HK\$19.7 million). The slot machines returned an average win of approximately HK\$950 (2006: HK\$700) per seat per day. Revenue for the year was approximately HK\$42.3 million (2006: HK\$6.1 million)

## **OPERATION REVIEW** *(Continued)*

### **Hotel and Gaming Operations** *(Continued)*

#### *Self-managed VIP room*

The Group managed one of the seven VIP rooms within the hotel during the year and had an effective interest of 90% in the VIP room. Supported by a decade-long operating experience in Macau, the six gaming tables of the Group in its VIP room, all of which offer baccarat, recorded a rolling of approximately HK\$52.9 billion (2006: HK\$11.1 billion). Win percentage (calculated before discounts and commissions) was 3.1% (2006: 2.7%). Revenue was approximately HK\$761.7 million (2006: HK\$134.3 million) and average win per table per day was approximately HK\$750,000 (2006: HK\$579,000).

#### *Rental from leased-out VIP rooms*

The Group received contributions from the leasing of six VIP rooms operated within the hotel. Revenue was approximately HK\$40.0 million (2006: HK\$7.8 million) during the year.

### **Non-gaming Revenue**

The Grand Emperor Hotel recorded approximately HK\$144.8 million (2006: HK\$24.7 million) in 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 operations on the ground floor of the hotel.

According to Macau Government Documentation and Information Centre, the number of hotel rooms had increased 15.5% year-on-year to 13,049 as of 31 March 2007. Hotel rooms in Macau recorded an average occupancy rate of approximately 76%. Amid growing competition and 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\$740 (2006: HK\$800) during the year. Occupancy rate of the available guestrooms was 82% (2006: 64%).

Revenue from food and beverage was approximately HK\$58.3 million (2006: HK\$8.6 million). Rental revenue from sauna, night club and retail space operations was approximately HK\$14.7 million (2006: HK\$3.0 million).

### **Cruise and Cruise-related Operations**

Turnover from this segment came from the rental and operation of cruise-related activities of the Golden Princess, the Group's wholly-owned 12,704-ton cruise liner which provides entertainment, gaming and accommodation facilities of up to 570 guests.

From its cruise-related operations, the Group received turnover of approximately HK\$123.3 million for the year (2006: HK\$137.9 million) and a profit of approximately HK\$34.9 million (2006: HK\$49.4 million).

### **Property Sales and Development**

This segment recorded no turnover during the year, as its property project in Shanghai remained under development. The project recorded a loss of approximately HK\$4.1 million (2006: HK\$2.6 million).

## **OPERATION REVIEW** *(Continued)*

### **Property Sales and Development** *(Continued)*

Located in Yu Yuan, Shanghai, the project 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.

The new Shanghai M10 subway route – to be launched in 2009 – will be adjacent to the subject site and there will be entrances and exits connecting to and from our commercial complex. The Group had completed the foundation and basement excavation work for the development during the year. Basement construction is in progress. Construction has proceeded in line with management expectations.

### **POST BALANCE SHEET EVENTS**

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 10% interest in Nova Strategic Limited (“Nova Strategic”) and its subsidiaries which are currently owned as to 90% by the Group, and the entire shareholder’s loan due from Nova Strategic to World Million as at the completion at a consideration of not less than HK\$170.783 million. The consideration will be satisfied by the allotment and issue of 104,744,846 shares of the Company at an issue price of HK\$1.63 per share. The balance of the consideration as at the completion will be settled by the parties by way of cash payment. Nova Strategic Group holds 50% interest in the Grand Emperor Hotel in Macau and managing a VIP room in the Grand Emperor Hotel.

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 and resulted in a gain of approximately HK\$1.1 million. The Quick Treasure Group holds the Golden Princess which operates the cruise and cruise-related businesses of the Group.

### **CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES**

There is no change in the capital structure of the Company for the year.

During the year, the Group mainly funded its operations and capital expenditure through its internally generated cash flow from operations. As at 31st March, 2007, bank borrowings which were denominated in Hong Kong dollar, secured, interest bearing and had fixed repayment term amounted to approximately HK\$252.9 million. Advances from related companies totaling approximately HK\$103.9 million comprise an interest bearing amount of approximately HK\$28.4 million and an interest-free amount of approximately HK\$75.5 million, both of which were denominated in Hong Kong dollars, unsecured and repayable on demand. Advances from the minority shareholders amounted to approximately HK\$454.2 million comprising an interest bearing amount of approximately HK\$77.1 million and an interest-free amount of approximately HK\$377.1 million, both of which were denominated in Hong Kong dollars, unsecured and repayable only when the subsidiaries have surplus fund.

## **CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES** *(Continued)*

The Group's current assets and current liabilities as at the end of the year under review were approximately HK\$723.7 million and HK\$692.4 million respectively. The gearing ratio of the Group (expressed as a percentage of total borrowings over total assets) decreased from 34% in the preceding financial year to 25%, which was mainly due to repayment of bank borrowings and advances from related companies and the minority shareholders 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, 2007 totaled approximately HK\$216.4 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.

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

### **PLEDGE OF ASSETS**

As at 31st March 2007, assets with carrying values of approximately HK\$1.5 billion were pledged to a bank as security for a banking facility granted to the Group.

### **COMMITMENTS AND CONTINGENCY**

As at 31st March, 2007, the Group had capital commitment in respect of property development project in Shanghai amounting to approximately HK\$388.4 million.

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 RMB83.62 million (equivalent to approximately HK\$84.5 million). The JV Partner contested the proceedings and counterclaimed against the Group for RMB100 million (equivalent to approximately HK\$101.0 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, therefore, no provision was made by the Group during the year.

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 was 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 employee was 1,118 (2006:1,022) as at 31st March, 2007. Total staff costs including directors' remuneration for the year were approximately HK\$149.1 million (2006: HK\$77.6 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 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 a total of 10,000,000 share options granted to certain Directors in preceding financial year.

## **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.

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 has recorded encouraging and improving performance despite increasing competition. To strengthen the Group's foothold in the feverish market, the Group had disposed of its cruiser liner and cruise operations after the year under review. The disposal allowed the Group to re-allocate its financial resources and management efforts, focusing on the operation of the Grand Emperor Hotel in Macau, a market with robust growth and potential.

Since May 2007, the Group launched a new VIP room with four tables targeting high-rollers. Among the eight VIP rooms within the hotel, the Group now self-manages, two VIP rooms (10 tables in total), an area where the Group possesses substantial experience and expertise.

In June 2007, the Group entered into an agreement to increase 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%. The restructuring is subject to shareholders' approval and is expected to streamline the Group's corporate investment structure, raising its investment in the Grand Emperor Hotel and the Macau gaming market.

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, while 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 scheduled completion in 2009.



## **PROSPECTS** *(Continued)*

Looking ahead, the Group will closely monitor the performance of all its business segments to 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.

## **REVIEW OF ANNUAL RESULTS**

The audit committee of the Company had reviewed and commented on the Company's annual results for the year ended 31st March, 2007.

## **CORPORATE GOVERNANCE**

The Company had complied throughout the year ended 31st March, 2007 with all the provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, except that 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.

## **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.

## **PUBLICATION OF THE AUDITED ANNUAL RESULTS AND ANNUAL REPORT**

The annual results announcement is published on the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (<http://www.hkex.com.hk>) and the Company's website (<http://www.emp296.com>). The annual report will be dispatched to the shareholders of the Company and will be available on websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 18th July, 2007

*As at the date hereof, the Board of the Company comprised 1. Chairperson: 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, Ms. Chan Wiling, Yvonne and Ms. Wan Choi Ha.*

\* *for identification purpose only*