



EMPEROR ENTERTAINMENT HOTEL LIMITED

英皇娛樂酒店有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 296)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2007

INTERIM RESULTS

The board of directors (the “Board” or “Directors”) of Emperor Entertainment Hotel Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30th September, 2007 (the “Period”) together with the comparative figures for the corresponding period as set out below.

These condensed consolidated financial statements have not been audited nor reviewed by the Company’s auditors, Deloitte Touche Tohmatsu, but have been reviewed by the audit committee of the Company, which comprises the three Independent Non-executive Directors of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2007

	Notes	Six months ended	
		30th September, 2007 (Unaudited) HK\$'000	30th September, 2006 (Unaudited) HK\$'000
Continuing operations			
Revenue	2	653,422	532,106
Cost of sales		(15,849)	(21,406)
Direct operating expenses		(96,564)	(87,619)
Gross profit		541,009	423,081
Fair value change in investment properties		–	123,130
Other income		11,916	10,505
Selling and marketing expenses		(267,065)	(278,454)
Administrative expenses		(110,782)	(73,300)
Finance costs		(18,823)	(20,962)
Profit before taxation		156,255	184,000
Taxation	5	(18,856)	(17,702)
Profit for the period from continuing operations	3	137,399	166,298
Discontinued operation			
(Loss) profit for the period from discontinued operation	3&4	(6,507)	15,185
Profit for the period	3&6	<u>130,892</u>	<u>181,483</u>
Attributable to:			
Equity holders of the Company		97,663	109,222
Minority interests		33,229	72,261
		<u>130,892</u>	<u>181,483</u>
Earnings per share			
From continuing and discontinued operations	7		
– basic		<u>HK\$0.10</u>	<u>HK\$0.12</u>
– diluted		<u>HK\$0.10</u>	<u>HK\$0.12</u>
From continuing operations			
– basic		<u>HK\$0.11</u>	<u>HK\$0.10</u>
– diluted		<u>HK\$0.11</u>	<u>HK\$0.10</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September, 2007

		As at	
	<i>Notes</i>	30th September, 2007 (Unaudited) <i>HK\$'000</i>	31st March, 2007 (Audited) <i>HK\$'000</i>
Non-current assets			
Investment properties		622,700	681,200
Property, plant and equipment		925,967	986,217
Prepaid lease payments		304,780	307,640
Property under development		510,578	485,671
Deposits made on acquisition of property, plant and equipment		2,847	2,288
Goodwill		55,126	18,301
		<u>2,421,998</u>	<u>2,481,317</u>
Current assets			
Inventories, at cost		3,102	4,046
Trade and other receivables	8	629,416	494,647
Prepaid lease payments		7,619	7,619
Amounts due from related companies		1,593	968
Bank balances and cash		259,204	216,442
		<u>900,934</u>	<u>723,722</u>
Current liabilities			
Trade and other payables	9	437,502	404,776
Amounts due to related companies		5,894	103,906
Amounts due to minority shareholders of a subsidiary		87,711	125,720
Dividend payable		82,684	–
Taxation payable		37,241	18,130
Secured bank borrowings – amounts due within one year		38,869	39,845
		<u>689,901</u>	<u>692,377</u>
Net current assets		<u>211,033</u>	<u>31,345</u>
Total assets less current liabilities		<u>2,633,031</u>	<u>2,512,662</u>

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)*As at 30th September, 2007*

	30th September, 2007 (Unaudited) HK\$'000	As at 31st March, 2007 (Audited) HK\$'000
Non-current liabilities		
Amounts due to minority shareholders of a subsidiary	298,949	328,492
Secured bank borrowings – amounts due after one year	193,809	213,031
Deferred taxation	73,204	73,459
	565,962	614,982
Net assets	<u>2,067,069</u>	<u>1,897,680</u>
Capital and reserves		
Share capital	103	93
Reserves	1,650,168	1,459,130
Equity attributable to equity holders of the Company	1,650,271	1,459,223
Minority interests	416,798	438,457
Total equity	<u>2,067,069</u>	<u>1,897,680</u>

Notes:

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 costs basis, except for certain properties and 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, 2007.

In the Period, the Group has applied, for the first time, a new standard, amendment and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1st April, 2007.

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the new standards or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards 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.

Notes: (Continued)

2. REVENUE

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

	Six months ended	
	30th September, 2007 (Unaudited) HK\$'000	30th September, 2006 (Unaudited) HK\$'000
Continuing operations		
Hotel and gaming operations		
Service income from VIP rooms	360,355	288,110
Service income from mass market	110,469	94,340
Service income from slot machine hall	22,667	18,162
Hotel room rental income	39,090	34,733
Marketing and promotion income	52,001	42,825
Food and beverage sales	33,259	29,552
Rental income from investment properties	28,647	19,306
Others	6,934	5,078
	653,422	532,106
Discontinued operation (Note 4)		
Cruise and cruise-related operations		
Rental income from gaming hall	15,092	60,000
Food and beverage sales	240	494
Room rental income	72	134
Others	892	555
	16,296	61,183
	669,718	593,289

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. An analysis of the Group's business segmental information is as follows:

	Continuing operations			Discontinued operation		Consolidated (Unaudited) HK\$'000
	Hotel and gaming operations (Unaudited) HK\$'000	Property sales and development (Unaudited) HK\$'000	Unallocated corporate items (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Cruise and cruise-related operations (Unaudited) HK\$'000	
For the six months ended 30th September, 2007						
REVENUE	<u>653,422</u>	<u>-</u>	<u>-</u>	<u>653,422</u>	<u>16,296</u>	<u>669,718</u>
RESULTS						
Segment results	178,432	(2,094)	(4,944)	171,394	(7,652)	163,742
Interest income	3,305	14	365	3,684	-	3,684
Finance costs	(17,153)	-	(1,670)	(18,823)	-	(18,823)
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				<u>137,399</u>	<u>(6,507)</u>	<u>130,892</u>
For the six months ended 30th September, 2006						
REVENUE	<u>532,106</u>	<u>-</u>	<u>-</u>	<u>532,106</u>	<u>61,183</u>	<u>593,289</u>
RESULTS						
Segment results	210,050	(1,828)	(4,876)	203,346	15,185	218,531
Interest income	1,587	1	28	1,616	-	1,616
Finance costs	(12,107)	-	(8,855)	(20,962)	-	(20,962)
Profit before taxation				184,000	15,185	199,185
Taxation				(17,702)	-	(17,702)
Profit for the period				<u>166,298</u>	<u>15,185</u>	<u>181,483</u>

Notes: (Continued)

4. DISPOSAL OF SUBSIDIARIES

Discontinued operation

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

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

	Six months ended	
	30th September,	30th September,
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
(Loss) profit of cruise and cruise-related operations	(7,652)	15,185
Gain on disposal of cruise and cruise-related operations	1,145	–
	<u>(6,507)</u>	<u>15,185</u>

The results of discontinued operation for the period up to the date of disposal and the prior interim reporting period were as follows:

	Period ended	Six months ended
	29th June,	30th September,
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Revenue	16,296	61,183
Cost of sales	(1,304)	(1,852)
Direct operating expenses	(13,353)	(26,925)
Selling and marketing expenses	(1,467)	(1,087)
Administrative expenses	(7,824)	(16,134)
	<u>(7,652)</u>	<u>15,185</u>
(Loss) profit for the period	<u>(7,652)</u>	<u>15,185</u>

Notes: (Continued)

4. DISPOSAL OF SUBSIDIARIES (Continued)

Discontinued operation (Continued)

The net assets of the Quick Treasure Group as at the date of disposal and as at 31st March, 2007 were as follows:

	29th June, 2007 (Unaudited) HK\$'000	As at 31st March, 2007 (Audited) HK\$'000
Property, plant and equipment	127,788	129,405
Inventories	1,784	1,728
Trade and other receivables	1,213	1,890
Amount due from immediate holding company	–	202
Amount due from a related company	3,645	966
Bank balances and cash	2,054	1,895
Trade and other payables	(8,600)	(7,440)
Amount due to immediate holding company	(55,713)	–
Amount due to ultimate holding company	–	(48,823)
	<hr/>	<hr/>
Net assets	72,171	<u>79,823</u>
Assignment of intercompany indebtedness	55,713	
Gain on disposal	1,145	
	<hr/>	
Total consideration, satisfied by cash	<u>129,029</u>	
Analysis of net inflow of cash and cash equivalents in connection with the disposal:		
Cash consideration	129,029	
Bank balances and cash disposed of	(2,054)	
	<hr/>	
	<u>126,975</u>	

The discontinued operation spent approximately HK\$6,816,000 (2006: generated HK\$32,597,000) in respect of the Group's operating activities, paid approximately HK\$117,000 (2006: HK\$626,000) in respect of investing activities and generated approximately HK\$7,092,000 (2006: paid HK\$33,468,000) in respect of financing activities.

Notes: (Continued)

5. TAXATION

	Six months ended	
	30th September, 2007 (Unaudited) HK\$'000	30th September, 2006 (Unaudited) HK\$'000
Continuing operations		
The charge comprises:		
Macau Complimentary Income Tax		
– current period	(19,111)	(4,625)
– overprovision in prior year	–	2,605
Deferred taxation	<u>255</u>	<u>(15,682)</u>
	<u><u>(18,856)</u></u>	<u><u>(17,702)</u></u>

The Macau Complimentary Income Tax is calculated progressively at a maximum of 12% of the estimate assessable profits for both periods.

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

6. PROFIT FOR THE PERIOD

	Six months ended 30th September,					
	2007			2006		
	Continuing operations (Unaudited) HK\$'000	Discontinued operation (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Continuing operations (Unaudited) HK\$'000	Discontinued operation (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Profit for the period has been arrived at after charging:						
Allowance for bad and doubtful debts	16,847	–	16,847	1,900	–	1,900
Depreciation of property, plant and equipment	33,133	1,724	34,857	33,229	3,247	36,476
Operating lease rental in respect of rented premises	2,117	105	2,222	1,724	209	1,933
Release of prepaid lease payments	3,232	–	3,232	3,232	–	3,232
and after crediting:						
Interest income from bank deposits	<u>3,684</u>	<u>–</u>	<u>3,684</u>	<u>1,616</u>	<u>–</u>	<u>1,616</u>

Notes: (Continued)

7. EARNINGS PER SHARE

From continuing and discontinued operations

The calculations of the basic and diluted earnings per share are based on the following data:

	Six months ended	
	30th September, 2007 (Unaudited) HK\$'000	30th September, 2006 (Unaudited) HK\$'000
Earnings:		
Earnings attributable to the equity holders of the Company for the purpose of calculating basic and diluted earnings per share	<u>97,663</u>	<u>109,222</u>
		At as
	30th September, 2007 (Unaudited)	30th September, 2006 (Unaudited)
Number of shares:		
Weighted average number of shares for the purpose of calculating basic earnings per share	952,246,126	928,771,980
Effect of dilutive potential shares – share options (<i>Note</i>)	<u>–</u>	<u>–</u>
Weighted average number of shares for the purpose of calculating diluted earnings per share	<u>952,246,126</u>	<u>928,771,980</u>

Note: 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 shares during both periods.

Notes: (Continued)

7. EARNINGS PER SHARE (Continued)

From continuing operations

The calculations of the basic and diluted earnings per share from continuing operations are based on the following data:

	Six months ended	
	30th September, 2007 (Unaudited) HK\$'000	30th September, 2006 (Unaudited) HK\$'000
Earnings:		
Earnings attributable to the equity holders of the Company	97,663	109,222
Less: (Loss) earnings for the period from discontinued operation	<u>(6,507)</u>	<u>15,185</u>
Earnings for the purposes of calculating basic and diluted earnings per share from continuing operations	<u>104,170</u>	<u>94,037</u>

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

From discontinued operation

Basic and diluted loss per share for discontinued operation are HK\$0.01 per share (2006: earnings per share of HK\$0.02) and HK\$0.01 per share (2006: earnings per share of HK\$0.02) respectively, based on the loss for the period from the discontinued operation of approximately HK\$6,507,000 (2006: profit of HK\$15,185,000). The denominators used are the same as those detailed above for both basic and diluted earnings per 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:

	As at	
	30th September,	31st March
	2007	2007
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
0 – 30 days	274,320	318,640
31 – 60 days	72,558	36,048
61 – 90 days	39,885	931
91 - 180 days	19,535	3,619
Over 180 days	–	12
	<hr/>	<hr/>
Chips on hand	406,298	359,250
Other receivables	176,553	108,292
	46,565	27,105
	<hr/>	<hr/>
	629,416	494,647
	<hr/> <hr/>	<hr/> <hr/>

Chips on hand represent chips issued by a gaming concessionaire in Macau.

The Directors of the Company 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:

	As at	
	30th September,	31st March
	2007	2007
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
0 – 30 days	50,181	59,762
31 – 60 days	2,774	1,172
61 – 90 days	1	178
91 – 180 days	–	67
Over 180 days	80	–
	<hr/>	<hr/>
Short-term advances	53,036	61,179
Construction payables	45,000	45,000
Other payables	154,328	173,677
	185,138	124,920
	<hr/>	<hr/>
	437,502	404,776
	<hr/> <hr/>	<hr/> <hr/>

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

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

INTERIM DIVIDEND

The Board of the Company declared the payment of an interim dividend of HK\$0.04 (2006: HK\$0.04) per share (“Dividend”) for the Period, amounting to approximately HK\$41.3 million (2006: HK\$37.2 million). The Dividend will be paid on 25th January, 2008 (Friday) to shareholders whose names appear on Register of Members of the Company on 11th January, 2008 (Friday).

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 10th January, 2008 (Thursday) to 11th January, 2008 (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, Tricor 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 9th January, 2008 (Wednesday).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group principally engages in gaming operations and provision of entertainment and hospitality services in Macau.

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

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

During the Period, the Group disposed of its cruise liner operation. Revenue from the Group’s continuing operations, being mainly the hotel and gaming operations, soared 23% to approximately HK\$653.4 million during the Period, up from approximately HK\$532.1 million for the same period in 2006. Profit from the continuing operations on the other hand declined 17% to approximately HK\$137.4 million as compared to HK\$166.3 million for the corresponding period in 2006, mainly due to the inclusion of a revaluation gain for the Group’s hotel properties of approximately HK\$123.1 million in 2006, without which and its related deferred taxation of HK\$14.7 million, the profit from the continuing operations would be HK\$57.9 million.

OPERATION REVIEW

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

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

OPERATION REVIEW *(Continued)*

Hotel and gaming operations

The Grand Emperor Hotel in Macau is the Group's flagship project. The hotel commenced business in January 2006 and has quickly established its brand-name in Macau, the world's largest gaming market.

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. The Grand Emperor Hotel has 136,660 square feet of gaming space spreading over seven floors. It has a capacity of 348 slot machine seats and approximately 90 gaming tables in gaming concourse 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, appealing to the tastes and preferences of its customers.

In August 2007, the Group successfully increased its effective interest in the Grand Emperor Hotel from 45% to 50%, and in two self-managed VIP rooms in the Grand Emperor Hotel from 90% to 100% through acquisition of additional interest of a subsidiary, details of which are set out in the section headed "Acquisition of Additional Interest of a Subsidiary" below. The restructuring streamlined the Group's corporate investment structure, raising its investment in the Grand Emperor Hotel and the Macau gaming market.

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

The Group operated 52 tables in its gaming concourse, targeting for the mass market. They in total contributed a gross win of approximately HK\$276.2 million (2006: HK\$235.9 million), with an average win of approximately HK\$29,000 (2006: HK\$28,000) per table per day. Revenue for the Period was approximately HK\$110.5 million (2006: HK\$94.3 million).

Slot Machines

During the Period, this sector recorded a gross win of approximately HK\$56.7 million (2006: HK\$58.6 million). The slot machines returned an average win of approximately HK\$900 (2006: HK\$900) per seat per day. Revenue for the Period was approximately HK\$22.7 million (2006: HK\$18.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

OPERATION REVIEW *(Continued)*

Hotel and gaming operations *(Continued)*

Gaming Revenue (Continued)

Self-managed VIP rooms

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

Supported by a decade-long operating experience in Macau, the VIP rooms maintained high rolling of approximately HK\$26.9 billion (2006: HK\$28.9 billion). Win percentage (calculated before discounts and commissions) was 3.3% (2006: 2.6%). Revenue was approximately HK\$412.3 million (2006: HK\$330.9 million) and an average win per table per day was approximately HK\$527,000 (2006: HK\$676,000).

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\$27.2 million (2006: HK\$16.9 million) during the Period.

Non-gaming Revenue

The Grand Emperor Hotel recorded approximately HK\$80.7 million (2006: HK\$71.7 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 27% year-on-year to 15,719 as of 30th September, 2007. Hotel rooms in Macau recorded an average occupancy rate of approximately 72%.

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\$770 (2006: HK\$700) during the Period. Occupancy rate of the available guestrooms was 85% (2006: 81%).

Room revenue totaled approximately HK\$40.0 million (2006: HK\$34.9 million). Revenue from food and beverage was approximately HK\$33.3 million (2006: HK\$29.6 million). Rental revenue from sauna, night club and retail space operations was approximately HK\$7.4 million (2006: HK\$7.3 million).

Property sales and development

This segment recorded no revenue during the Period, as its property project in Shanghai remained under development. The project recorded a loss of approximately HK\$2.1 million (2006: HK\$1.8 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

OPERATION REVIEW *(Continued)*

Property sales and development *(Continued)*

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.

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 the commercial complex. The Group had completed the foundation and basement excavation work for the development during the Period, while basement construction is in progress.

Cruise and cruise-related operations

Revenue from this segment came from the rental and operation of cruise-related activities of Golden Princess, a 12,704-ton cruise liner which provides entertainment, gaming and accommodation facilities of up to 570 guests.

From its cruise and cruise-related operations, the Group received revenue of approximately HK\$16.3 million (2006: HK\$61.2 million) and recorded a loss of approximately HK\$7.7 million (2006: profit of HK\$15.2 million).

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

ACQUISITION OF ADDITIONAL INTEREST OF A SUBSIDIARY

On 12th June, 2007, Courage Wisdom Investments Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with World Million Profits Limited (“World Million”), a wholly-owned subsidiary of the substantial shareholder of the Company, for acquisition of the remaining 10% interest in Nova Strategic Limited (“Nova Strategic”) and its subsidiaries (collectively referred to as the “Nova Strategic Group”) and the entire shareholder’s loan due from Nova Strategic to World Million (the “Acquisition”). The Acquisition was completed on 20th August, 2007 and its aggregate consideration amounted to approximately HK\$171.7 million, out of which HK\$170.8 million was satisfied by the allotment and issue of 104,774,846 shares of the Company at an issue price of HK\$1.63 per share and the balance of HK\$0.9 million was settled by way of cash payment. A goodwill of approximately HK\$36.8 million arose as a result of the Acquisition.

DISPOSAL OF SUBSIDIARIES

On 29th June, 2007, Lavergem Holdings Limited, a wholly-owned subsidiary of the Company, disposed of the entire interest of the Quick Treasure Group and the entire shareholder’s loan due to the Group by the Quick Treasure Group to a third party at a consideration of approximately HK\$129.0 million (the “Disposal”) and resulted in a gain of approximately HK\$1.1 million.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

USE OF PROCEEDS

The net proceeds from the Disposal after expenses of HK\$0.1 million amounting to approximately HK\$128.9 million had been fully utilised to expand the business of the Grand Emperor Hotel which included the opening of the Group's second self-managed VIP room in May 2007.

CAPITAL STRUCTURE

In August 2007, the Company allotted and issued 104,774,846 shares of the Company at an issue price of HK\$1.63 per share for the Acquisition. As a result, the share capital and share premium of the Company as at 30th September, 2007 were approximately HK\$103,000 (as at 31st March, 2007: HK\$93,000) and HK\$170.8 million (as at 31st March, 2007: Nil) respectively.

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, 2007, bank borrowings which were denominated in Hong Kong dollars, secured, interest bearing and had fixed repayment term amounted to approximately HK\$232.7 million. Advances from related companies totaling approximately HK\$5.9 million were denominated in Hong Kong dollars, unsecured and repayable on demand. Advances from the minority shareholders of approximately HK\$386.7 million were denominated in Hong Kong dollars, unsecured, interest-free and repayable only when the subsidiaries have surplus fund.

The Group's current assets and current liabilities as at the end of the Period were approximately HK\$900.9 million and HK\$689.9 million respectively. The gearing ratio of the Group (expressed as a percentage of total borrowings over total assets) decreased from 25% in the preceding financial year to 19%, which was mainly due to repayment of bank borrowings and advances from related companies and the minority shareholders during the Period.

Save as disclosed above and trade and other payables and accrued charges, the Group had no other external borrowings. Bank balances and cash on hand of the Group as at 30th September, 2007 totaled approximately HK\$259.2 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 Directors of the Company 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, certain 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

COMMITMENTS AND CONTINGENCIES

The Group had capital commitments as at 30th September, 2007 was approximately HK\$384.6 million, comprising HK\$380.4 million for property development project in Shanghai and HK\$4.2 million for purchase of property, plant and equipment.

In October 2006, the Group commenced legal proceedings in the People's Republic of China ("PRC") against the joint venture partner ("JV Partner") in Shanghai, 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 RMB83.6 million (equivalent to approximately HK\$86.4 million). The JV Partner contested the proceedings and counterclaimed against the Group for RMB100 million (equivalent to approximately HK\$103.3 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 and defending against the counterclaim of the JV Partner. Therefore, no provision was made by the Group.

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

As at 30th September, 2007, the Group's number of employees was 981 as compared to 1,118 as at the end of the preceding financial year, mainly due to the disposal of cruise and cruise-related operations in June 2007. Total staff costs including directors' remuneration for the Period were approximately HK\$71.6 million (2006: HK\$82.7 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 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 a total of 10,000,000 share options granted to certain directors of the Company in previous years.

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

PROSPECTS *(Continued)*

With the Group's experience and well-received brand name – especially in the important mainland China market – the Grand Emperor Hotel has managed to quickly establish a significant presence in Macau. The hotel is well received by hotel guests as well as players in its gaming areas. It continues to strengthen its position in the VIP gaming market in Macau. The management expects the hotel to maintain an encouraging performance in an increasingly competitive marketplace.

In relation to the Shanghai property development, the Group has appointed reputable international consultants to handle leasing management and to revise the design of the shopping arcade, with a view to improving pedestrian flow within the complex and thus maximising its investment value.

The project, being located in an established tourist area of Shanghai, is expected to generate stable rental revenue for the Group and enhance the Group's balance sheet when it is transformed into an investment property upon scheduled completion in 2009.

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.

CORPORATE GOVERNANCE

The Company had complied throughout the Period with the Code on Corporate Governance Practice as set out in Appendix 14 of the Listing Rules, except that the non-executive Directors of the Company were not appointed for specific terms, 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 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, 18th December, 2007

As at the date hereof, the Board of the Company comprises 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 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*