



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, 2008

INTERIM RESULTS

The board of directors (the “Board” or “Directors”) of Emperor Entertainment Hotel Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30th September, 2008 (the “Period”) together with the comparative figures for the corresponding period in 2007 as set out below.

FINANCIAL HIGHLIGHTS

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

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2008

		Six months ended	
		30th September, 2008 (Unaudited) HK\$'000	30th September, 2007 (Unaudited) HK\$'000
	Notes		
Continuing operations			
Revenue	2	432,267	653,422
Cost of sales		(18,320)	(15,849)
Cost of hotel and gaming operations		(104,414)	(96,564)
Gross profit		309,533	541,009
Other income		6,067	11,916
Loss on fair value change in investment properties		(76,131)	–
Impairment loss on property, plant and equipment		(9,889)	–
Selling and marketing expenses		(30,850)	(34,068)
Commission expenses in gaming operations		(106,661)	(232,997)
Administrative expenses		(81,811)	(110,782)
Finance costs		(12,739)	(18,823)
(Loss) profit before taxation		(2,481)	156,255
Taxation	4	(5,477)	(18,856)
(Loss) profit for the period from continuing operations	3	(7,958)	137,399
Discontinued operation			
Loss for the period from discontinued operation	3	–	(6,507)
(Loss) profit for the period	3&5	(7,958)	130,892
Attributable to:			
Equity holders of the Company		17,372	97,663
Minority interests		(25,330)	33,229
		(7,958)	130,892
Earnings per share			
From continuing and discontinued operations	6		
– basic		HK\$0.02	HK\$0.10
– diluted		HK\$0.02	HK\$0.10
From continuing operations			
– basic		HK\$0.02	HK\$0.11
– diluted		HK\$0.02	HK\$0.11

CONDENSED CONSOLIDATED BALANCE SHEET*As at 30th September, 2008*

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

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)*As at 30th September, 2008*

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

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

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

¹ Effective for annual periods beginning on or after 1st January, 2009

² Effective for annual periods beginning on or after 1st July, 2009

³ Effective for annual periods beginning on or after 1st July, 2008

⁴ Effective for annual periods beginning on or after 1st October, 2008

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

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

2. REVENUE

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

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

3. SEGMENT INFORMATION

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

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

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

4. TAXATION

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

The charge comprises:

Macau Complimentary Income Tax	10,300	19,111	–	–	10,300	19,111
Deferred taxation	(4,823)	(255)	–	–	(4,823)	(255)
	5,477	18,856	–	–	5,477	18,856

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

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

5. (LOSS) PROFIT FOR THE PERIOD

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

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

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

and after crediting:

Interest income from bank deposits	1,946	3,684	–	–	1,946	3,684
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6. EARNINGS PER SHARE

From continuing and discontinued operations

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

	Six months ended	
	30th	30th
	September,	September,
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings:		
Earnings for the purpose of basic and diluted earnings per share	<u>17,372</u>	<u>97,663</u>
	Six months ended	
	30th	30th
	September,	September,
	2008	2007
	(Unaudited)	(Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>1,011,223,126</u>	<u>952,246,126</u>

From continuing operations

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

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

From discontinued operation

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

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

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

7. TRADE AND OTHER RECEIVABLES

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

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

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

8. 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, 2008 (Unaudited) <i>HK\$'000</i>	31st March 2008 (Audited) HK\$'000
0 – 30 days	18,586	44,471
31 – 60 days	1,232	73
61 – 90 days	342	54
Over 90 days	477	942
	<hr/>	<hr/>
	20,637	45,540
Short-term advances	15,000	45,000
Construction payables	187,414	189,825
Other payables	146,760	175,842
	<hr/>	<hr/>
	369,811	456,207
	<hr/> <hr/>	<hr/> <hr/>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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

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

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

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

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

Business Review

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

Hotel and Gaming Operations

The Group's flagship project, Grand Emperor Hotel in Macau, had been providing solid contributions following the commencement of its operations in January 2006. The Grand Emperor Hotel, located at the heart of Macau's city centre, has 136,660 square feet of gaming space spreading over seven floors. It offers slot as well as table games in gaming concourse and VIP rooms, featuring mainly baccarat – the most popular game in Macau with the best odds among major table games.

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

Gaming Revenue

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

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

Gaming Concourse

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

Slot Machines

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

VIP rooms

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

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

Non-gaming Revenue

The Grand Emperor Hotel recorded approximately HK\$80.6 million (2007: HK\$80.7 million) non-gaming revenue, which comprised mainly contributions from hotel rooms, food and beverage, as well as rental income from sauna, night club and retail space on the ground floor of the hotel.

According to government statistics, the number of hotel rooms in Macau had increased 6.8% year-on-year to 16,792 as of 30th September, 2008. Hotel rooms in Macau saw a drop in occupancy rate from 75.7% in March 2008 to 66.8% in September 2008.

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

Room revenue was approximately HK\$38.4 million (2007: HK\$40.0 million). The hotel is well received by guests for its high-quality services. Revenue from food and beverage was approximately HK\$34.5 million (2007: HK\$33.3 million). Rental revenue from sauna, night club and retail space was approximately HK\$7.7 million (2007: HK\$7.4 million). To better serve the high-end VIP market while at the same time enhance the Group's revenue, the hotel has converted and leased out part of its hotel lobby for opening a retail outlet during the Period. This had boosted the revenue and showed the Group's determination to maximise returns for its shareholders.

Property Development

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

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

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

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

Outlook

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

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

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

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

Capital Structure, Liquidity and Financial Resources

During the Period, the Group mainly funded its operations and capital expenditure through its internally generated cash flow from operations. As at 30th September, 2008, bank borrowings which were denominated in Hong Kong dollars, secured, interest bearing and had fixed repayment term amounted to approximately HK\$192.7 million. Advances from related companies totaling approximately HK\$5.9 million were denominated in Hong Kong dollars, unsecured, interest-free and repayable on demand. Advances from minority shareholders of a subsidiary of the Company were approximately HK\$361.5 million, which were denominated in Hong Kong dollars, unsecured, interest-free and repayable only when the subsidiary has surplus fund.

The Group's current assets and current liabilities as at the end of the Period were approximately HK\$815.5 million and HK\$612.1 million respectively. The gearing ratio of the Group (expressed as a percentage of total borrowings over total assets) slightly decreased from 17.7% in the preceding financial year to 17.4%.

Save as disclosed above and trade and other payables and accrued charges, the Group had no other external borrowings. Bank balances and cash on hand of the Group as at 30th September, 2008 totaled approximately HK\$395.6 million, which were mainly denominated in Hong Kong dollars and Macau Pataca ("MOP"). With the borrowings and bank balances and cash on hand denominated in Hong Kong dollars and Macau Pataca, the Group experienced no significant exposure to foreign exchange rate fluctuation during the Period.

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

Pledge of Assets

As at the end of the Period, assets with carrying values of approximately HK\$1.42 billion were pledged to a bank as security for a banking facility granted to the Group.

Commitments and Contingencies

As at 30th September, 2008, the Group had capital commitments of approximately HK\$440.9 million, comprising HK\$437.5 million for property development project in Shanghai and HK\$3.4 million for property, plant and equipment in the Grand Emperor Hotel in Macau.

In October 2006, the Group commenced legal proceedings against the joint venture partner (“JV Partner”) in Shanghai, the PRC, for termination of the joint venture agreement (“JV Agreement”) in respect of the development of the Group’s property in Shanghai (“Project”) as a result of the JV Partner’s failure to settle the outstanding payment and construction costs in accordance with the terms of the JV Agreement. The Group also claimed against the JV Partner for forfeiture of the JV Partner’s contribution to the Project and further contribution by the JV Partner of outstanding payment and construction costs totaling approximately RMB83.6 million (equivalent to approximately HK\$95.4 million). The JV Partner contested the proceedings and counterclaimed against the Group for RMB100 million (equivalent to approximately HK\$114.1 million) as damages for breach of the JV Agreement. The PRC lawyers representing the Group were of the view that the Group had prospects of successful termination of the JV Agreement, in which event the counterclaim of the JV Partner would also not be supported by court. The legal case is still in the progress as at the end of the Period. No provision was made by the Group during the Period

In January 2007, the Group was sued jointly with its contractor for approximately 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 is of the view that the contractor and its insurer should be responsible for paying any damages awarded to the plaintiff.

Employees and Share Option Scheme

As at 30th September, 2008, the Group’s number of employee was 1,034 as compared to 1,032 as at the end of the preceding financial year. Total staff costs including directors’ remuneration for the Period were approximately HK\$76.8 million (2007: HK\$71.6 million). All employees are under remuneration policy of fixed monthly salary with discretionary bonus. Staff benefits include contribution to retirement benefit scheme, medical allowance and other fringe benefits.

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

INTERIM DIVIDEND

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

REVIEW OF INTERIM RESULTS

These condensed consolidated financial statements of the Group have not been audited nor reviewed by the Company's auditor, 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.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

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

Model Code for Securities Transactions

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

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.

PUBLICATION OF THE UNAUDITED INTERIM RESULTS AND INTERIM REPORT

The interim 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 interim report will be dispatched to the shareholders of the Company and will be available on the 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, 16th December, 2008

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

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

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

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

* *for identification purpose only*