



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

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

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31ST MARCH, 2008**

The board of directors (the “Board” or “Directors”) of Emperor Entertainment Hotel Limited (the “Company”) is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31st March, 2008 together with the comparative figures for the corresponding year in 2007 as set out below.

**FINANCIAL HIGHLIGHTS**

	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>For the year ended 31 March</b>		
Revenue from continuing operations	<b>1,255,133</b>	1,186,689
EBITDA from continuing operations:		
Before minority interests	<b>414,438</b>	350,839
After minority interests	<b>266,320</b>	233,395
Gain on fair value change in investment properties attributable to:		
Equity holders of the Company	<b>6,750</b>	59,580
Minority interests	<b>26,750</b>	111,520
	<b>33,500</b>	171,100
Profit for the year from continuing operations	<b>230,465</b>	237,548
Academic subsidy to an university in Shanghai	<b>(21,500)</b>	–
(Loss) profit for the year from discontinued operation	<b>(6,507)</b>	34,945
Profit for the year attributable to equity holders of the Company	<b>202,458</b>	272,493
Earnings per share – basic	<b>HK\$0.20</b>	HK\$0.29
	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>As at 31 March</b>		
Total assets	<b>3,369,590</b>	3,205,039
Total liabilities	<b>1,176,476</b>	1,307,359
Net assets	<b>2,193,114</b>	1,897,680

## CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2008

	Notes	2008 HK\$'000	2007 HK\$'000
<b>Continuing operations</b>			
Revenue	3	1,255,133	1,186,689
Cost of sales		(35,015)	(34,945)
Cost of hotel and gaming operations		(198,291)	(164,985)
Gross profit		1,021,827	986,759
Gain on fair value change in investment properties		33,500	171,100
Other income		24,329	10,674
Selling and marketing expenses		(71,396)	(65,066)
Commission expenses in gaming operations		(434,487)	(449,909)
Administrative expenses		(198,492)	(198,625)
Finance costs		(35,211)	(46,658)
Profit before taxation	4	340,070	408,275
Taxation	5	(33,642)	(34,102)
Profit for the year from continuing operations		306,428	374,173
<b>Discontinued operation</b>			
(Loss) profit for the year from discontinued operation	6	(6,507)	34,945
Profit for the year	3	299,921	409,118
Attributable to:			
Equity holders of the Company		202,458	272,493
Minority interests		97,463	136,625
		299,921	409,118
Dividends			
	7		
– Interim paid		41,342	37,151
– Final paid		82,684	18,575
		124,026	55,726
– Final proposed		40,449	74,302
Earnings per share			
	8		
– From continuing and discontinued operations			
Basic		HK\$0.20	HK\$0.29
Diluted		HK\$0.20	HK\$0.29
– From continuing operations			
Basic		HK\$0.21	HK\$0.26
Diluted		HK\$0.21	HK\$0.26

## CONSOLIDATED BALANCE SHEET

At 31st March, 2008

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties		<b>656,200</b>	681,200
Property, plant and equipment		<b>867,423</b>	986,217
Prepaid lease payments		<b>304,010</b>	307,640
Property under development		<b>554,215</b>	485,671
Prepayment for acquisition of property, plant and equipment		<b>35,646</b>	2,288
Goodwill		<b>72,938</b>	18,301
		<b>2,490,432</b>	2,481,317
<b>Current assets</b>			
Inventories, at cost		<b>4,950</b>	4,046
Trade and other receivables	9	<b>677,196</b>	494,647
Prepaid lease payments		<b>7,732</b>	7,619
Amount due from a related company		–	968
Bank balances and cash		<b>189,280</b>	216,442
		<b>879,158</b>	723,722
<b>Current liabilities</b>			
Trade and other payables	10	<b>456,207</b>	404,776
Amounts due to related companies		<b>6,875</b>	103,906
Amounts due to minority shareholders of a subsidiary		<b>122,036</b>	125,720
Taxation payable		<b>48,261</b>	18,130
Secured bank borrowings – amounts due within one year		<b>41,880</b>	39,845
		<b>675,259</b>	692,377
<b>Net current assets</b>		<b>203,899</b>	31,345
<b>Total assets less current liabilities</b>		<b>2,694,331</b>	2,512,662

## CONSOLIDATED BALANCE SHEET (Continued)

At 31st March, 2008

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Non-current liabilities</b>		
Amounts due to minority shareholders of a subsidiary	252,678	328,492
Secured bank borrowings – amounts due after one year	171,569	213,031
Deferred taxation	76,970	73,459
	<u>501,217</u>	<u>614,982</u>
<b>Net assets</b>	<u><u>2,193,114</u></u>	<u><u>1,897,680</u></u>
<b>Capital and reserves</b>		
Share capital	101	93
Reserves	1,713,138	1,459,130
	<u>1,713,239</u>	<u>1,459,223</u>
Equity attributable to equity holders of the Company	1,713,239	1,459,223
Minority interests	479,875	438,457
	<u>2,193,114</u>	<u>1,897,680</u>
<b>Total equity</b>	<u><u>2,193,114</u></u>	<u><u>1,897,680</u></u>

Notes:

## 1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”)

In the current year, the Group has applied, for the first time, the following new Standard, Amendment to Hong Kong Accounting Standards (“HKASs”) and Interpretations (“HK(IFRIC) – INT”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) (collectively referred to as “new HKFRSs”), which are effective for the Group’s financial year beginning 1st April, 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of embedded derivatives
HK(IFRIC) – INT 10	Interim financial reporting and impairment
HK(IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions

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 applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in the prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

HKFRSs (Amendment)	Improvements to HKFRSs <sup>1</sup>
HKAS 1 (Revised)	Presentation of financial statements <sup>2</sup>
HKAS 23 (Revised)	Borrowing costs <sup>2</sup>
HKAS 27 (Revised)	Consolidated and separate financial statements <sup>3</sup>
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation <sup>2</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of investment in a subsidiary, jointly controlled entity or associate <sup>2</sup>
HKFRS 2 (Amendment)	Vesting conditions and cancellations <sup>2</sup>
HKFRS 3 (Revised)	Business combinations <sup>3</sup>
HKFRS 8	Operating segments <sup>2</sup>
HK(IFRIC) – INT 12	Service concession arrangements <sup>4</sup>
HK(IFRIC) – INT 13	Customer loyalty programmes <sup>5</sup>
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction <sup>4</sup>

*Notes: (Continued)*

**1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”) (Continued)**

- <sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009.
- <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 July, 2009.
- <sup>4</sup> Effective for annual periods beginning on or after 1st January, 2008.
- <sup>5</sup> Effective for annual periods beginning on or after 1st July, 2008.

The adoption of HKFRS 3 (Revised) may effect the accounting treatment for business combination for which the acquisition date is on or after the beginning of the first annual report 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 standards or interpretations will have no material impact on the results or financial position of the Group.

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements have been prepared in accordance with HKFRS issued by HKICPA. In addition, the consolidated financial statements 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 investment properties and certain financial instruments which are measured at fair values.

The accounting policies adopted for preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31st March, 2007.

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 segmental information are as follows:

#### Business segments

2008

	Continuing operations			Discontinued operation	Consolidated HK\$'000
	Hotel and gaming operations HK\$'000	Property development HK\$'000	Total HK\$'000	Cruise and cruise-related operations HK\$'000	
<b>REVENUE</b>	<u>1,255,133</u>	<u>-</u>	<u>1,255,133</u>	<u>16,296</u>	<u>1,271,429</u>
<b>RESULTS</b>					
Segment results	393,503	7,276	400,779	(7,652)	393,127
Finance costs	(19,166)	-	(19,166)	-	(19,166)
Unallocated corporate income			6,376	-	6,376
Unallocated corporate expenses			(47,919)	-	(47,919)
Profit before taxation			340,070	(7,652)	332,418
Taxation			(33,642)	-	(33,642)
Gain on disposal of discontinued operation			-	1,145	1,145
Profit for the year			<u>306,428</u>	<u>(6,507)</u>	<u>299,921</u>
<b>BALANCE SHEET</b>					
<b>Assets</b>					
Segment assets	2,558,889	620,766	3,179,655	-	3,179,655
Unallocated corporate assets					<u>189,935</u>
					<u>3,369,590</u>
<b>Liabilities</b>					
Segment liabilities	337,446	165,907	503,353	-	503,353
Amounts due to related companies	3,123	-	3,123	-	3,123
Amounts due to minority shareholders of a subsidiary	374,714	-	374,714	-	374,714
Deferred taxation					76,970
Unallocated corporate liabilities					<u>218,316</u>
					<u>1,176,476</u>

Notes: (Continued)

**3. SEGMENT INFORMATION (Continued)**

**Business segments (Continued)**

2007

	Continuing operations			Discontinued operation	Consolidated HK\$'000
	Hotel and gaming operations HK\$'000	Property development HK\$'000	Total HK\$'000	Cruise and cruise- related operations HK\$'000	
REVENUE	<u>1,186,689</u>	<u>–</u>	<u>1,186,689</u>	<u>123,318</u>	<u>1,310,007</u>
RESULTS					
Segment results	463,486	(4,053)	459,433	34,945	494,378
Finance costs	(30,100)	–	(30,100)	–	(30,100)
Unallocated corporate income			5,401	–	5,401
Unallocated corporate expenses			(26,459)	–	(26,459)
Profit before taxation			408,275	34,945	443,220
Taxation			(34,102)	–	(34,102)
Profit for the year			<u>374,173</u>	<u>34,945</u>	<u>409,118</u>
BALANCE SHEET					
Assets					
Segment assets	2,305,783	548,169	2,853,952	133,989	2,987,941
Unallocated corporate assets					217,098
					<u>3,205,039</u>
Liabilities					
Segment liabilities	254,270	141,738	396,008	7,440	403,448
Amounts due to related companies	68,026	–	68,026	–	68,026
Amounts due to minority shareholders of a subsidiary	454,212	–	454,212	–	454,212
Deferred taxation					73,459
Unallocated corporate liabilities					308,214
					<u>1,307,359</u>



Notes: (Continued)

#### 4. PROFIT BEFORE TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Profit before taxation has been arrived at after charging:						
Allowance for bad and doubtful debts	16,867	9,578	-	-	16,867	9,578
Auditor's remuneration	2,713	3,145	83	362	2,796	3,507
Depreciation of property, plant and equipment	72,247	65,943	1,724	6,701	73,971	72,644
Release of prepaid lease payments	6,464	6,465	-	-	6,464	6,465
Staff costs, including directors' remuneration and retirement benefit scheme contributions	152,652	128,473	5,833	20,616	158,485	149,089
Loss on disposal of property, plant and equipment	-	-	10	-	10	-
and after crediting:						
Gain on disposal of property, plant and equipment	767	350	-	-	767	350
Interest income from						
- bank deposits	6,054	5,401	-	-	6,054	5,401
- other	348	-	-	-	348	-
Exchange gain	13,716	3,027	-	-	13,716	3,027

#### 5. TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
The charge comprises:						
Macau Complimentary Income Tax						
- current year	30,131	15,865	-	-	30,131	15,865
- overprovision in prior year	-	(2,605)	-	-	-	(2,605)
	30,131	13,260	-	-	30,131	13,260
Deferred taxation	3,511	20,842	-	-	3,511	20,842
	33,642	34,102	-	-	33,642	34,102

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

No provision for Hong Kong Profits Tax and the People's Republic of China (the "PRC") Enterprise Income Tax have been made as there were no estimated assessable profits for both years.

Notes: (Continued)

## 6. DISCONTINUED OPERATION

On 7th May, 2007, the Group entered into an agreement to dispose of the entire interest 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 operation 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 operation.

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

	<b>2008</b>	2007
	<b>HK\$’000</b>	HK\$’000
(Loss) profit of cruise and cruise-related operations for the year	<b>(7,652)</b>	34,945
Gain on disposal of subsidiaries in cruise and cruise-related operations	<b>1,145</b>	–
	<b><u>(6,507)</u></b>	<b><u>34,945</u></b>

The results of the discontinued operation for the year are as follows:

	<b>2008</b>	2007
	<b>HK\$’000</b>	HK\$’000
Revenue	<b>16,296</b>	123,318
Cost of sales	<b>(1,304)</b>	(3,448)
Direct operating expenses	<b>(13,353)</b>	(49,827)
Selling and marketing expenses	<b>(1,467)</b>	(2,331)
Administrative expenses	<b>(7,824)</b>	(32,767)
(Loss) profit for the year	<b><u>(7,652)</u></b>	<b><u>34,945</u></b>

No tax charge was arisen on gain on discontinuance of the operation.

The discontinued operation spent HK\$6,816,000 (2007: generated HK\$55,497,000) in respect of the Group’s operating activities, paid HK\$117,000 (2007: HK\$2,341,000) in respect of investing activities and generated HK\$7,092,000 (2007: paid HK\$53,836,000) in respect of financing activities.

Notes: (Continued)

**6. DISCONTINUED OPERATION** (Continued)

The net assets of those subsidiaries under discontinued operation at the date of disposal on 29th June, 2007 are as follows:

	<i>HK\$'000</i>
Property, plant and equipment	127,788
Inventories	1,784
Trade and other receivables	1,213
Amount due from a related company	3,645
Bank balances and cash	2,054
Trade and other payables	(8,600)
Amount due to immediate holding company	(55,713)
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Net assets	72,171
Assignment of intercompany indebtedness	55,713
Gain on disposal	1,145
	<hr/>
Total consideration, satisfied by cash	129,029
	<hr/> <hr/>
Analysis of net inflow of cash and cash equivalents in connection with the disposal of discontinued operation	
Cash consideration	129,029
Bank balances and cash disposed of	(2,054)
	<hr/>
	126,975
	<hr/> <hr/>

**7. DIVIDENDS**

	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends recognised as distribution during the year:		
Interim paid: HK4.0 cents per share (2007: HK4.0 cents per share)	<b>41,342</b>	37,151
Final paid in respect of preceding financial year: HK8.0 cents per share (2007: HK2.0 cents per share)	<b>82,684</b>	18,575
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	<b>124,026</b>	55,726
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The Board proposed the payment of final dividend of HK4.0 cents per share (2007: HK8.0 cents per share) for the year ended 31st March, 2008 which is subject to approval by the shareholders in the forthcoming annual general meeting.

Notes: (Continued)

## 8. 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:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share	<b>202,458</b>	272,493
	<b>2008</b>	2007
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<b>993,220,028</b>	928,771,980

### From continuing operations

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

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Profit for the year attributable to the equity holders of the Company	<b>202,458</b>	272,493
Less: (Loss) profit for the year from discontinued operation	<b>(6,507)</b>	34,945
Earnings for the purpose of basic and diluted earnings per share from continuing operations	<b>208,965</b>	237,548

### From discontinued operation

Basic loss per share for discontinued operation is HK\$0.01 per share (2007: earnings per share of HK\$0.03), based on the loss for the year from discontinued operation of approximately HK\$6,507,000 (2007: profit of HK\$34,945,000).

The denominators used are the same as those detailed for both basic and diluted earnings per share from 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 is higher than the average market price of the Company's shares.

Notes: (Continued)

## 9. TRADE AND OTHER RECEIVABLES

The Group normally allows credit periods of up to 60 days to its trade customers, except for certain credit 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 240 days for certain customers. An aged analysis of the Group's trade receivables as at the balance sheet date is set out below:

	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	<b>210,860</b>	318,640
31-60 days	<b>18,187</b>	36,048
61-90 days	<b>89,780</b>	931
91-180 days	<b>144,099</b>	3,619
Over 180 days	<b>23,420</b>	12
	<hr/>	<hr/>
	<b>486,346</b>	359,250
Chips on hand	<b>166,255</b>	108,292
Other receivables	<b>24,595</b>	27,105
	<hr/>	<hr/>
	<b>677,196</b>	494,647
	<hr/> <hr/>	<hr/> <hr/>

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

The Group's trade receivable balances do not have debtor which was past due at the report date for which the Group has not provided for impairment loss (2007: past due debtors of HK\$4,562,000).

## 10. TRADE AND OTHER PAYABLES

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

	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	<b>44,471</b>	59,762
31-60 days	<b>73</b>	1,172
61-90 days	<b>54</b>	178
91-180 days	<b>942</b>	67
	<hr/>	<hr/>
	<b>45,540</b>	61,179
Short-term advances	<b>45,000</b>	45,000
Construction payables	<b>189,825</b>	173,677
Other payables	<b>175,842</b>	124,920
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	<b>456,207</b>	404,776
	<hr/> <hr/>	<hr/> <hr/>

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

## **FINAL DIVIDEND**

The Board declared the payment of a final dividend of HK\$0.04 per share (“Final Dividend”) for the year ended 31st March, 2008 amounting to approximately HK\$40,449,000, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on 28th August, 2008. The total distribution per share for the year under review was HK\$0.08 (2007: HK\$0.12), including the interim dividend of HK\$0.04 per share which was already paid. If approved, the Final Dividend will be paid on 26th September, 2008 to shareholders whose names appear on register of members of the Company on 28th August, 2008.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed, for the purpose of determining shareholders’ entitlement to the Final Dividend, from 26th August, 2008 (Tuesday) to 28th August, 2008 (Thursday) (both days inclusive), during which period no share transfer will be effected.

In order to qualify for the Final 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 4:30 p.m. on 25th August, 2008 (Monday).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OVERVIEW**

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.

During the year under review, the Group disposed of its cruise liner operation. Revenue from the Group’s continuing operations – being mainly the hotel and gaming operations – increased by 5.8% to approximately HK\$1,255.1 million during the year under review (2007: HK\$1,186.7 million). Gross profit grew 3.5% to approximately HK\$1,021.8 million (2007: HK\$986.8 million). Profit from continuing operations attributable to equity holders of the Company, after revaluation gain of HK\$33.5 million (2007: HK\$171.1 million), amounted to approximately HK\$209.0 million (2007: HK\$237.5 million). Earnings per share was HK\$0.21, compared to HK\$0.26 in 2007.

As at 31st March, 2008, net asset value attributable to equity holders amounted to approximately HK\$1,713.2 million, 17.4% higher than the amount of HK\$1,459.2 million in 2007.

## **BUSINESS REVIEW**

### **HOTEL AND GAMING OPERATIONS**

The Grand Emperor Hotel in Macau is the Group's flagship project. 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, with an area specifically dedicated for slot machines, gaming concourse and VIP rooms which featured mainly baccarat – the most popular game in Macau with the best odds among major table games.

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 Interests 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.

For the year ended 31st March, 2008, the Group recorded EBITDA (earnings before interest, tax, depreciation and amortisation) for this segment of approximately HK\$438.6 million (2007: HK\$364.8 million)

The Group demonstrated in the year under review its competitive edges and genuine earning capabilities despite intensifying competition. The Company not only recorded a sustainable performance over the year but also rewarded its shareholders by paying dividends regularly.

#### **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 despite intensifying competition arising from opening of new casinos and capacity expansion of existing casinos.

Gaming revenue for the year under review amounted to approximately HK\$1,085.0 million (2007: HK\$1,042.0 million).

### ***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\$643.6 million, an increase of 30.0% from HK\$494.9 million of last year, with an average win of approximately HK\$34,000 (2007: HK\$28,000) per table per day.

Revenue for the year under review was approximately HK\$257.4 million, up from HK\$198.0 million in 2007. The hotel, which had established a strong brand name since opening in 2006, 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.

### ***Slot Machines***

During the year under review, this sector recorded a gross win of approximately HK\$113.4 million (2007: HK\$119.3 million). As of 31st March, 2008, the hotel operated a total of 350 slot seats, compared to 348 a year earlier. The slot machines returned an average win of approximately HK\$900 (2007: HK\$950) per seat per day. Revenue for the Group for the year under review was approximately HK\$45.3 million (2007: HK\$42.3 million).

### ***Self-managed VIP rooms***

The Group launched its second VIP room inside the hotel in May 2007 with four tables providing baccarat games for high-rollers. The Group now self-manages two VIP rooms, with 10 tables in total, an area where the Group possesses substantial experience and expertise.

The VIP rooms had stable rolling of approximately HK\$49.2 billion (2007: HK\$52.9 billion) despite of market competition. Win percentage (calculated before discounts and commissions) was 3.2% (2007: 3.1%). Revenue was approximately HK\$725.7 million (2007: HK\$761.7 million) and an average win per table per day of approximately HK\$426,000 (2007: HK\$750,000) with dilution by the newly added tables in early opening stage. Despite the drop in revenue due to industry competition, the VIP rooms managed to be one of the leading in the market in terms of rolling and control in commission payout.

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

The Group received contributions from the leasing of VIP rooms within the hotel. Revenue was approximately HK\$56.6 million (2007: HK\$40.0 million) during the year under review.

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

The Grand Emperor Hotel recorded approximately HK\$170.1 million (2007: HK\$144.8 million) 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 on the ground floor of the hotel.



According to government statistics, the number of hotel rooms in Macau had increased 24.1% year-on-year to 16,195 as of 31st March, 2008. Hotel rooms in Macau recorded an average occupancy rate of 73%.

In spite of 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\$830 (2007: HK\$740) during the year under review. Occupancy rate of the guestrooms was 85% (2007: 82%).

Room revenue was approximately HK\$85.0 million (2007: HK\$71.8 million). Revenue from food and beverage was approximately HK\$70.2 million (2007: HK\$58.3 million). Rental revenue from sauna, night club and retail space was approximately HK\$14.9 million (2007: HK\$14.7 million).

### **PROPERTY DEVELOPMENT**

This segment recorded no revenue during the year under review, as its property project in Shanghai remained under development. The segment recorded a profit of approximately HK\$7.4 million due to gain in exchange rates, as compared to a loss of approximately HK\$4.1 million in 2007.

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. Judgement of the litigation relating to the project is pending, details of which are set out in the section headed “Commitments and Contingencies” below. In the meantime, the Group is reviewing the design and planning to award the contracts for construction above ground.

### **CRUISE AND CRUISE-RELATED OPERATIONS**

Revenue from this segment came from the rental and operation of cruise-related activities of a cruise liner which provides entertainment, gaming and accommodation facilities. The Group received revenue of approximately HK\$16.3 million (2007: HK\$123.3 million) and recorded a loss of approximately HK\$6.5 million (2007: profit of HK\$34.9 million).

In June 2007, the Group disposed of the cruise liner and discontinued its cruise and cruise-related operations by disposal of related 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 INTERESTS 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% interests 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 (based on 10% of the consolidated net asset value of the Nova Strategic Group after taking into account of certain adjustments as agreed by both parties and all the outstanding loans due from Nova Strategic to World Million as at completion of the Acquisition) amounted to approximately HK\$189.5 million, out of which HK\$188.6 million was satisfied by the allotment and issue of 104,774,846 shares of the Company at an issue price of HK\$1.80 per share and the balance of HK\$0.9 million was settled by the parties by way of cash payment. The Group also recorded a goodwill of approximately HK\$54.6 million as a result of the Acquisition.

Immediately after the Acquisition, the Group holds entire equity interests of Nova Strategic. Nova Strategic is an investment holding company with its subsidiaries holding 50% interest in the Grand Emperor Hotel in Macau and managing two VIP rooms in the Grand Emperor Hotel.

## **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.

## **USE OF PROCEEDS**

The 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 during the year under review.

## **CAPITAL STRUCTURE**

As mentioned in the above section headed “Acquisition of Additional Interests of a Subsidiary”, the Company allotted and issued 104,774,846 shares of the Company at an issue price of HK\$1.80 per share (the “Share Allotment”) for the Acquisition. As a result, the share capital and share premium of the Company increased by approximately HK\$10,000 and HK\$188.6 million respectively.

During the year under review, the Company repurchased its own shares of 22,323,700 shares (the “Share Repurchase”) through the Stock Exchange at market price and those shares were cancelled shortly after the Share Repurchase. So the share capital of the Company decreased by approximately HK\$2,000.

After the Share Allotment and Share Repurchase, the share capital and share premium of the Company as at 31st March, 2008 was approximately HK\$101,000 and HK\$188.6 million respectively.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the year under review, the Group mainly funded its operations and capital expenditure through its internally generated cash flow from operations. As at 31st March, 2008, bank borrowings which were denominated in Hong Kong dollars, secured, interest bearing and had fixed repayment term amounted to approximately HK\$213.4 million. Advances from related companies totaling approximately HK\$6.9 million, which were denominated in Hong Kong dollars, unsecured, interest-free and repayable on demand. Advances from the minority shareholders of a subsidiary of the Company of approximately HK\$374.7 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 year under review were approximately HK\$879.2 million and HK\$675.3 million respectively. The gearing ratio of the Group (expressed as a percentage of total borrowings over total assets) decreased from 25.3% in the preceding financial year to 17.7%, which was mainly due to repayment of bank borrowings and advances from related companies and the minority shareholders of a subsidiary of the Company during the year under review.

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, 2008 totaled approximately HK\$189.3 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 under review.

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 year under review, assets with carrying values of approximately HK\$1.55 billion were pledged to a bank as security for a banking facility granted to the Group.

## **COMMITMENTS AND CONTINGENCIES**

As at 31st March, 2008, the Group had capital commitments of approximately HK\$408.3 million, comprising HK\$406.7 million for property development project in Shanghai and HK\$1.6 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\$92.7 million). The JV Partner contested the proceedings and counterclaimed against the Group for RMB100 million (equivalent to approximately HK\$110.9 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 year under review. No provision was made by the Group during the year under review.

In January 2007, the Group was sued jointly with its contractor for MOP3.5 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.

## **NUMBER AND REMUNERATION OF EMPLOYEES**

The Group’s number of employees was 1,032 (2007: 1,118) as at 31st March, 2008. Total staff costs including directors’ remuneration for the year under review were approximately HK\$158.5 million (2007: HK\$149.1 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 year under review, 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 10,000,000 share options which were granted to certain Directors in the preceding financial year.

## **CORPORATE SOCIAL RESPONSIBILITIES**

The Grand Emperor Hotel has been putting emphasis on environmental protection ever since its opening in 2006. During the year under review, the hotel has participated in the Macao Green Hotel Award Scheme organised by the Macau government and has set up an Environment Working Committee to deploy new green policies and execute and monitor daily procedures. Some of the more significant moves include implementing a Waste Separation and Recovery Programme, a series of energy saving initiatives that cover air-conditioning system, escalators and lighting as well as minimising single-use and disposable items. Measures have been taken to enhance staff's green awareness and ensure that they all join in the new green policies.

The hotel's green efforts are well received by staff and customers and will serve as a first step for the hotel's future corporate social responsibilities campaigns. Besides, the hotel will also encourage staff involvement in various volunteer activities organised by itself or third parties.

In view of the fast growing economy and the thriving cultural development of Shanghai where the Group has a major development, the Group had during the year under review made an academic subsidy of HK\$21.5 million to the Shanghai Institute of Visual Art of Fudan University, as a move to support the local community and academic development of the university.

## **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.

Despite of the competition in the industry, the Group believes in the future growth of Macau's economy and in particular its tourism industry in the long run. With the majority of Macau's tourists coming from Mainland China, the continuous growth in China's economy is expected to benefit Macau's economy and provides a promising outlook and business environment for the Group.

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. To further capture the potentials in mass gaming market, the Group plans to convert some of the VIP rooms leased out to third parties to general gaming concourse, a continuously growing segment since its opening.

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 an additional high-end retail outlet. It is expected to bring in stable revenue and demonstrated the Group's determination in maximising returns for its shareholders.

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 completion.

Looking ahead, the Group will closely monitor the industry development and the performance of all its business segments to stay competitive and 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.

The Board will also continue to monitor the share price of the Company and its underlying net asset value on a regular basis. The Board will consider repurchasing its own shares on the Stock Exchange when the share price represents an attractive discount to its net asset value.

## **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, 2008.

## **CORPORATE GOVERNANCE**

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

The Company has complied throughout the year under review with all the provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules. 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 throughout the year under review.

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

During the year under review, the Company repurchased 22,323,700 of its own shares on the Stock Exchange. All repurchased shares were cancelled. Details of the shares acquired, excluding transaction costs of approximately HK\$159,000, are as follows:

Date	Number of repurchased ordinary shares of HK\$0.0001 each	Price per share		Total price paid HK\$
		Highest HK\$	Lowest HK\$	
18th February, 2008	35,000	1.69	N/A	59,150
19th February, 2008	965,000	1.72	1.71	1,654,800
26th February, 2008	120,000	1.74	N/A	208,800
19th March, 2008	21,203,700	1.70	N/A	36,046,290
	<u>22,323,700</u>			<u>37,969,040</u>

Save as disclosed above, there were no other repurchase, sale or redemption of the Company's listed securities by the Company nor any of its subsidiaries during the year under review.

## PUBLICATION OF THE AUDITED ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the website of 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 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 July, 2008

*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*