

DIRECTORS' REPORT

The directors of the Company present their annual report and the audited financial statements for the year ended 31st March, 2005.

CHANGE OF NAME

Pursuant to a special resolution passed by the Company's shareholders in a special general meeting held on 3rd January, 2005, the name of the Company was changed from Emperor (China Concept) Investments Limited to Emperor Entertainment Hotel Limited with effect from 4th January, 2005.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 36 to the financial statements.

RESULTS

The results of the Group for the year ended 31st March, 2005 are set out in the consolidated income statement on page 23.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment which mainly included a vessel, at cost of approximately HK\$134.1 million for the cruise business.

Details of changes in the property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

SHARE CAPITAL

Details of the changes in share capital of the Company are set out in note 21 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out on page 26 and in note 23 to the financial statements.

DIRECTORS' REPORT

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Non-executive director:

Luk Siu Man, Semon (*Chairperson*) (redesignated as a non-executive director on 11th July, 2005)

Executive directors:

Luk Siu Man, Semon (*Chairperson*) (redesignated as a non-executive director on 11th July, 2005)

Wong Chi Fai

Fan Man Seung, Vanessa

Mok Fung Lin, Ivy

Independent non-executive directors:

Chan Sim Ling, Irene

Lam San Keung

Chan Wiling, Yvonne (appointed on 15th September, 2004)

The term of office of each director, including the independent non-executive directors, is the period up to his/her retirement by rotation in accordance with the Bye-laws of the Company.

In accordance with Bye-law 86(2) of the Company's Bye-laws, Ms. Chan Wiling, Yvonne ("Ms. Yvonne Chan") would retire at the forthcoming annual general meeting and, being eligible, offers herself for re-election.

In accordance with Bye-law 87 of the Company's Bye-laws, all other directors, other than Ms. Yvonne Chan who would retire in accordance with Bye-law 86(2), would retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31st March, 2005, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register pursuant to Section 352 of the SFO; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

(a) Long position in shares of the Company

Name of director	Nature of interests	Number of ordinary shares held	Percentage holding
Ms. Luk Siu Man, Semon ("Ms. Semon Luk") (Note)	Family	310,137,600	33.39%

Note: The shares were registered in the name of Worthy Strong Investment Limited ("Worthy Strong"), an indirect wholly-owned subsidiary of Emperor International Holdings Limited ("EIHL"). EIHL was a company with its shares listed in Hong Kong; 57.91% of the shares of EIHL were registered in the name of Charron Holdings Limited ("Charron") and 11.57% of the shares of EIHL were registered in the name of Pleasure Road. The entire issued share capital of Charron and Pleasure Road were respectively held by The A&A Unit Trust and The A&S Unit Trust both under The Albert Yeung Discretionary Trust ("Trust"), a discretionary trust set up by Mr. Yeung Sau Shing, Albert ("Mr. Albert Yeung"). Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the 310,137,600 shares held by Worthy Strong. By virtue of the aforesaid interests of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and director of the Company) was also deemed to be interested in the above 310,137,600 shares held by Worthy Strong.

(b) Long position in shares of associated corporation

Name of associated corporation	Nature of interests	Number of ordinary shares held	Percentage holding
Great Assets Holdings Limited ("Great Assets") (Note)	Family	5	10%

Note: Great Assets was owned as to 90% by the Company and as to 10% by Lion Empire. The entire issued share capital of Lion Empire was held by The A&S Unit, a unit trust under the Trust, of which Mr. Albert Yeung was the founder. Mr. Albert Yeung was deemed to be interested in the shares of Great Assets held by Lion Empire. By virtue of the aforesaid interests of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung and director of the Company) was also deemed to be interested in the shares of Great Assets held by Lion Empire.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES (continued)

Save as disclosed above, as at 31st March, 2005, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register pursuant to Section 352 of the SFO; or (c) pursuant to the Model Code of the Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME AND DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Details of the Company's share option scheme are set out in note 22 to the financial statements.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable any director or chief executive of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in paragraphs 3 and 4 in "Connected Transactions" below, there was no contract of significance to which the Company, or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

1. During the period up to the date of acquisition of the remaining 10% interests in Expert Pearl Investments Limited ("Expert Pearl") by the Group on 9th June, 2004 ("Acquisition"), the Group was entitled to interest income of approximately HK\$355,000 from Star City Entertainment Holdings Limited ("Star City"), which previously owned 10% equity interests in Expert Pearl. The Group also provided short-term advances amounting to approximately HK\$140,000 to Star City.

The advances were unsecured, bore interest at 1% over Hong Kong prime interest rate and had no fixed terms of repayment. On 9th June, 2004, the total outstanding balance of and the interest accrued for these advances were waived by the Group as part of the consideration for the Acquisition, detail of which was disclosed in paragraph 2 below.

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CONNECTED TRANSACTIONS (continued)

2. On 9th June, 2004, the Group completed the Acquisition from Star City through the acquisition of one share registered in the name of Star City, representing 10% of the entire issued share capital of Expert Pearl, and the loan outstanding from Expert Pearl to Star City, inclusive of the Star City Loan, as defined below, which was reassigned to Star City by Future Gain Investments Limited ("Future Gain"), a related company of the Group. The Star City Loan represented the loan advance of HK\$16,000,000 to Expert Pearl by Star City pursuant to the shareholders deed dated 10th July, 1995, which was subsequently assigned to Future Gain by Star City pursuant to three deeds dated 25th August, 1998, 31st August, 1999 and 15th May, 2001, respectively.

As consideration, the Group repaid Star City HK\$16,000,000 being the initial investment contributed by Star City to Expert Pearl, such payment was made to Future Gain as directed by Star City and the Group waived all liabilities of Star City in the principal sum of approximately HK\$17,658,000 and all interest thereon of approximately HK\$20,172,000, amounted in aggregate to approximately HK\$37,830,000 owed to the Group as at 9th June, 2004.

3. On 25th January, 2005, the Group completed the acquisition of 90% interests in Great Assets from Lion Empire, a company which was indirectly wholly-owned by the Trust, through the acquisition of the 45 shares registered in the name of Lion Empire ("Sale Shares"), representing 90% of the entire issued share capital of Great Assets, and the 90% of all outstanding loans due from Great Assets to Lion Empire as at 25th January, 2005 which amounted to approximately HK\$162,041,000 ("Sale Debt").

The consideration for the Sale Shares and the Sale Debt were US\$45 (equivalent to HK\$351) and approximately HK\$162,041,000 respectively.

4. On 15th February, 2005, the Group completed the acquisition of the vessel named Golden Princess (together with all furniture and fittings on board, slot machines and other gambling equipment in the casino area) from Pleasure Road, a company which was indirectly owned by the Trust. The consideration of the vessel was US\$17 million (equivalent to approximately HK\$132,599,000) which was satisfied by the allotment and issue of 104,409,000 new shares of HK\$0.0001 each of the Company to Pleasure Road at the price of HK\$1.27 per share.

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INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2005, so far as is known to any director or chief executive of the Company, the following persons (other than a director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital:

Long positions in shares of the Company

Name	Capacity/ Nature of interests	Number of ordinary shares held	Percentage of holding
EIHL (Note 1)	Interest in a controlled corporation	310,137,600	33.39%
Charron (Note 1)	Interest in a controlled corporation	310,137,600	33.39%
Jumbo Wealth Limited (Note 1)	Trustee	310,137,600	33.39%
GZ Trust Corporation ("GZ Trust") (Note 1)	Trustee	310,137,600	33.39%
Mr. Albert Yeung (Note 1)	Founder of the Trust	310,137,600	33.39%
OZ Management, L.L.C. (Note 2)	Investment manager	69,581,387	7.49%
Deutsche Bank Aktiengesellschaft	Beneficial owner	55,935,000	6.02%

Notes:

- The shares were registered in the name of Worthly Strong, an indirect wholly-owned subsidiary of EIHL. EIHL was a company with its shares listed in Hong Kong; 57.91% of the shares of EIHL were registered in the name of Charron and 11.57% of the shares of EIHL were registered in the name of Pleasure Road. The entire issued share capital of Charron and Pleasure Road were respectively held by The A&A Unit Trust and The A & S Unit Trust both under the Trust. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the 310,137,600 shares held by Worthly Strong. The above shares were the same shares as those set out in "Directors' and Chief Executives' Interests and Short Positions in Securities" above.
- Out of 69,581,387 shares, OZ Management, L.L.C. had derivative interests of 45,346,387 shares in the Company.

Save as disclosed above, as at 31st March, 2005, so far as is known to the directors or chief executives of the Company, no other person (not being a director or chief executive of the Company) had any interest or short position in shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange, under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the five largest customers of the Group accounted for approximately 98% of the turnover of the Group. The largest customer accounted for approximately 98% of the Group's turnover and was held as to 28% of its issued share capital by a deemed substantial shareholder of the Company as at 31st March, 2005.

During the year, the aggregate amount of purchases and services received attributable to the Group's five largest suppliers represented approximately 61% of the Group's total purchases and services received. The largest supplier accounted for approximately 17% of the Group's total purchases and services received for the year.

Save as disclosed above, none of the directors of the Company, their associates or any shareholders which, to the knowledge of the directors of the Company, owns more than 5% of the Company's issued share capital has a beneficial interest in the share capital of any of the above major customers and suppliers of the Group.

CORPORATE GOVERNANCE

The Company had complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the independent non-executive directors of the Company were not appointed for specific terms as set out in Appendix 14 of the Listing Rules, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with Bye-laws of the Company.

The board practices and procedures were replaced by the Code on Corporate Governance Practices which came into effect on 1st January, 2005. Appropriate actions are being taken by the Company in complying with the Code.

MODEL CODE FOR SECURITIES

The Company had adopted the Model Code as its written guidelines on the "Model Code for Securities Transactions by Directors and Employees". Having made specific enquiry to all the directors of the Company, all the directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors and employees adopted by the Company.

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BOARD PRACTICES

The Company had received an annual confirmation of independence from each of the independent non-executive directors of the Company pursuant to Rule 3.13 of the Listing Rules. The Company was of the view that all the independent non-executive directors of the Company met the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference comprising the three independent non-executive directors of the Company, namely Ms. Chan Sim Ling, Irene (Chairperson of the audit committee), Mr. Lam San Keung and Ms. Chan Wiling, Yvonne. The principal duties of the audit committee included the review and supervision of the Group's financial reporting system, internal control procedures, the Group's financial information and relationship with the auditors of the Company.

The audit committee held two meetings during the year. The audit committee also reviewed and commented on the Company's draft annual and interim financial reports and met with the external auditors.

REMUNERATION COMMITTEE

The Company established a remuneration committee, comprising a majority of independent non-executive directors of the Company, with written terms of reference. The remuneration committee comprised Mr. Wong Chi Fai (Chairman of the remuneration committee), Ms. Chan Sim Ling, Irene and Ms. Chan Wiling, Yvonne.

The principal responsibilities of the remuneration committee included making recommendations to the board of directors on the Company's policy and structure for all remuneration of directors and senior management and reviewing the specific remuneration packages of all executive directors and senior management.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company maintained the prescribed public float under the Listing Rules.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 34 to the financial statements.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Luk Siu Man, Semon
Chairperson

Hong Kong
11th July, 2005