Melco International Development Limited

新 濠 國 際 發 展 有 限 公 司

(Incorporated in Hong Kong with limited liability)
Website : http://www.melco.hk.cn
(Stock code: 200)

ANNUAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2004

2004 AUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	**2004** *HK$'000*	2003 *HK$'000*
Turnover	2	**407,630**	164,036
Other revenues	2	**8,548**	5,494
Other (loss)/income		**(2,113)**	10,186
Cost of inventories sold		**(157,183)**	(36,703)
Staff costs (including directors' emoluments)		**(107,120)**	(76,499)
Depreciation of fixed assets		**(17,683)**	(16,154)
Amortisation of trading rights		**(507)**	(464)
Amortisation of goodwill		**–**	(2,614)
Gain on disposal of investment properties		**57,176**	–
Commission expense		**(50,607)**	(26,088)
Other operating expenses		**(61,809)**	(51,968)
Total operating expenses		**(337,733)**	(210,490)
Operating profit/(loss)		**76,332**	(30,774)
Finance costs		**(4,199)**	(2,007)
Profit/(loss) before taxation		**72,133**	(32,781)
Taxation	3	**(2,490)**	(1,201)
Profit/(loss) after taxation		**69,643**	(33,982)
Minority interests		**(4,486)**	7,648
Profit/(loss) attributable to shareholders		**65,157**	(26,334)
Dividends	4	**8,451**	–
Basic earnings/(loss) per share (HK cents)	5	**20.06**	(15.89)
Fully diluted earnings/(loss) per share (HK cents)	5	**18.33**	N/A

Notes:

(1) Basis of preparation of the accounts

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention except the other investments and the investment properties which are carried at fair value.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("New HKFRSs") which are effective for accounting period beginning on or after 1st January 2005. The Group has not early adopted these New HKFRSs in the accounts for the year ended 31st December 2004 except for Hong Kong Financial Reporting Standard No. 3 "Business Combination" ("HKFRS 3"), Hong Kong Accounting Standard No. 36 "Impairment of Assets" ("HKAS 36") and Hong Kong Accounting Standard No. 38 "Intangible Assets" ("HKAS 38"). The Group has already commenced an assessment of the impact of the remaining new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

The early adoption of HKFRS 3 has resulted in a prospective change in the accounting policy for goodwill and negative goodwill. Up to 31st December 2003, goodwill was amortised using the straight-line method over its estimated useful life of 10 years. Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount. With the adoption of HKFRS 3, the Group has ceased to amortise goodwill from 1st January 2004 and accumulated amortisation as at 31st December

2003 has been eliminated with a corresponding decrease in the cost of goodwill. From 1st January 2004 onwards, goodwill is tested annually for impairment, as well as when there are indications of impairment. The Group has reassessed the useful lives of its other intangible assets and no adjustment has resulted from this reassessment.

Up to 31st December 2003, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately. From 1st January 2004 onwards, negative goodwill is recognised immediately to the profit and loss account after assessment of the identifiable assets, liabilities and contingent liabilities of the business combination.

The early adoption of HKAS 36 and HKAS 38 have no material impact to the accounts of the Group.

(2) Turnover, revenue and segment information

Primary reporting format – business segments

	Year ended/As at 31st December 2004				
	Leisure and entertainment *HK$'000*	**Technology** *HK$'000*	**Investment banking and financial services** *HK$'000*	**Property and other investments** *HK$'000*	**Group** *HK$'000*
Revenues					
Segment turnover	**123,431**	**169,440**	**128,634**	**3,420**	**424,925**
Inter-segment sales	**(424)**	**(14,641)**	**(2,230)**	**–**	**(17,295)**
	123,007	**154,799**	**126,404**	**3,420**	**407,630**
Segment results	**5,636**	**14,504**	**14,783**	**65,334**	**100,257**
Unallocated costs					**(23,925)**
Operating profit					**76,332**
Segment assets	**598,842**	**57,226**	**433,372**	**290,633**	**1,380,073**
Investment in jointly controlled entity	**–**	**–**	**–**	**100,000**	**100,000**
Unallocated assets					**104,754**
Total assets					**1,584,827**
Segment liabilities	**24,325**	**22,497**	**62,675**	**1,935**	**111,432**
Unallocated liabilities					**172,302**
Total liabilities					**283,734**
Other segment information:					
Depreciation of fixed assets	**11,519**	**591**	**4,390**	**1,183**	**17,683**
Amortisation of trading rights	**–**	**–**	**507**	**–**	**507**
Reversal of impairment of investment securities	**–**	**–**	**–**	**(3,117)**	**(3,117)**
Negative goodwill	**–**	**1,204**	**–**	**–**	**1,204**
Capital expenditures	**114,520**	**422**	**669**	**1,098**	**116,709**
Goodwill	**361,427**	**8,805**	**–**	**–**	**370,232**
Impairment of doubtful receivables	**–**	**323**	**1,587**	**–**	**1,910**

	Leisure and entertainment HK$'000	Technology HK$'000	Investment banking and financial services HK$'000	Property and other investments HK$'000	Group HK$'000
	Year ended/As at 31st December 2003				
Revenues					
Segment turnover	55,143	29,506	75,504	4,468	164,621
Inter-segment sales	(282)	(303)	–	–	(585)
	54,861	29,203	75,504	4,468	164,036
Segment results	(11,713)	(9,413)	3,005	2,258	(15,863)
Unallocated costs					(14,911)
Operating loss					(30,774)
Segment assets	33,596	25,662	389,105	46,131	494,494
Unallocated assets					180,024
Total assets					674,518
Segment liabilities	8,246	23,323	113,443	5,508	150,520
Unallocated liabilities					324
Total liabilities					150,844
Other segment information:					
Depreciation of fixed assets	4,324	6,277	3,615	1,938	16,154
Amortisation of trading rights	–	–	464	–	464
Amortisation of goodwill	–	–	2,614	–	2,614
Capital expenditures	312	12,980	11,359	2,192	26,843
Impairment of assets	–	3,080	–	1,200	4,280
Impairment of doubtful receivables	–	122	1,934	–	2,056

Secondary reporting format – geographical segments

	Turnover ***HK$'000***	**Segment results** ***HK$'000***	**Total assets** ***HK$'000***	**Capital expenditure** ***HK$'000***
	Year ended 31st December 2004/ As at 31st December 2004			
Hong Kong	**208,881**	**79,519**	**1,159,304**	**23,551**
The People's Republic of China excluding Hong Kong and Macau ("PRC")	**263**	**(2,502)**	**2,333**	**963**
Macau	**198,486**	**23,240**	**218,436**	**92,195**
	407,630	**100,257**	**1,380,073**	**116,709**
Unallocated costs		**(23,925)**		
Profit before finance costs and taxation		**76,332**		
Investment in a jointly controlled entity			**100,000**	
Unallocated assets			**104,754**	
Total assets			**1,584,827**	

	Turnover *HK$'000*	Segment results *HK$'000*	Total assets *HK$'000*	Capital expenditure *HK$'000*
	Year ended 31st December 2003/ As at 31st December 2003			
Hong Kong	143,674	(15,715)	473,153	24,504
The PRC	–	(501)	614	564
Macau	20,362	353	20,727	1,775
	164,036	(15,863)	494,494	26,843
Unallocated costs		(14,911)		
Operating loss		(30,774)		
Investment securities			180,024	
Total assets			674,518	

(3) Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	2004	2003
	HK$'000	*HK$'000*
Current taxation:		
– Hong Kong profits tax	**1,668**	354
– (Over)/under provisions in prior years	**(848)**	523
Deferred taxation relating to the origination and reversal of timing differences	**1,670**	324
Taxation charges	**2,490**	1,201

The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the Hong Kong taxation rate as follows:

	2004	2003
	HK$'000	*HK$'000*
Profit/(loss) before taxation	**72,133**	(32,781)
Calculated at a taxation rate of 17.5% (2003: 17.5%)	**12,623**	(5,737)
Effect of different taxation rates in Macau	**(392)**	5
Income not assessable for taxation purposes	**(9,463)**	–
Expenses not deductible for taxation purposes	**89**	457
Utilisation of previously unrecognised tax losses	**(5,536)**	(71)
(Over)/under provision of current taxation in prior years	**(848)**	523
Unrecognised deferred tax assets arising from estimated tax losses	**6,017**	6,024
Taxation charge	**2,490**	1,201

(4) Dividends

	2004	2003
	HK$'000	*HK$'000*
Interim, Dividend – HK$0.01 (2003: Nil) per ordinary share	**3,776**	–
Final Dividend – Proposed HK$0.01 (2003: Nil) per ordinary share	**4,675**	–
	8,451	–

(5) Earnings/(loss) per share

The calculations of basic earnings/(loss) per share are based on (i) the Group's net profit/(loss) attributable to shareholders of HK$65,157,000 (2003: loss of HK$26,334,000), and (ii) 324,834,445 (2003: 165,762,626) weighted average ordinary shares in issue during the year.

The calculations of diluted earnings per share for the year ended 31st December 2004 are based on (i) the adjusted net profit attributable to shareholders of approximately HK$65,991,000 which is the net profit attributable to the shareholders for the year adjusted for interest expense of approximately HK$834,000, and (ii) 324,834,445 ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average of 16,340,475 ordinary shares deemed to be issued at no consideration if all outstanding share options with dilutive effect on basic earnings/(loss) per share had been exercised and the weighted average number of 18,799,001 ordinary shares deemed to be issued if all the convertible notes have been converted into ordinary shares since their issuance.

The diluted loss per share for the year ended 31st December 2003 has not been presented as the conversion of potential ordinary shares would have anti-dilutive effect to the basic loss per share.

MANAGING DIRECTOR'S STATEMENT

2004 saw dramatic changes in Macau. Spurred by the introduction of the Individual Traveler's Scheme, total number of visitors to Macau hit an all time high of 16.7 million and Mainlanders now account for over 57% of total visitation. The size of Macau's gaming market grew by a staggering 44% to US$5.1 billion, overtaking that of Atlantic City and is now second only to Las Vegas Strip.

During the year, the first Vegas style casino built by the Americans was opened in Macau. This marked the end of the 40-year-long monopoly enjoyed by STDM and the beginning of a new era in Macau's gaming history. The former Portuguese colony has since entered into a phase of unprecedented, rapid development. The number of gaming tables has more than doubled in less than a year. Numerous new casino and new hotel plans have been announced.

Gone were the days when one could just put a baccarat table in a corner and customers would come. It is my strong belief that, under the new paradigm, only those players who are capable of providing the best products and quality services, backed by world-class branding and marketing, can ultimately survive and thrive.

Against this backdrop, Melco acquired its first piece of gaming asset, the Mocha Slots, in June 2004. In September 2004, we unveiled our plan to build the first ever 6-star hotel cum casino in Taipa to target high rollers. In November 2004, we concluded our negotiations with Publishing and Broadcasting Limited ("PBL"), the Australian media and gaming giant with market capitalization exceeding US$8 billion, to form an exclusive 50:50 joint venture to co-expand our gaming business in Asia.

The Melco/PBL joint venture is a very important step forward for the Group. Leveraging on PBL's financial resources and international experience, together with our established network of local connections in Macau and China, we are now in a strong position to capitalize on the fast growing but increasingly competitive gaming market in Macau.

Beyond Macau, various new opportunities in gaming have also emerged. The island state of Singapore has invited the international gaming companies, including ourselves, to come up with concepts to build an "integrated resort" which comprises gaming, leisure, shopping and entertainment facilities. Thailand is another country which may see the legalization of gambling in the near future.

The outlook for the gaming industry in Asia has never been rosier and opportunities have never been more abound. Together with PBL, our joint venture partner, I am confident that Melco will become one of the largest and most profitable gaming groups in Asia within the next few years and substantial shareholder value would be created.

Last but none the least, I would like to express my deepest gratitude to our employees for their hard work and commitment, without which the Group would not have been where we are today.

MANAGEMENT DISCUSSION & ANALYSIS

2004 was an important year for Melco. It marked the beginning of our foray into the highly lucrative Macau gaming sector. From here on, leisure, gaming and entertainment is expected to become the core business for the Group. As the gaming division is still in its investment phase, contribution to profitability was not yet meaningful in 2004. Having said that, Mocha Slots, despite being acquired only in the latter half of the year, has already started to contribute to our bottom-line.

The three non-core businesses, ie investment banking, technology and property, have all performed satisfactorily. Overall, group turnover for the year increased to HK$407.63 million (2003 – HK$164 million), representing an increase of 149%. Net profit attributable to shareholders was HK$65.15 million as compared to a net loss of HK$26.33 million in the previous year.

(A) LEISURE, GAMING AND ENTERTAINMENT

For the year under review, the Leisure, Gaming & Entertainment Division recorded a turnover of HK$123 million (2003 – HK$54.8 million) and segmental profit before interest and tax amounted to HK$5.6 million (2003 Loss – HK$11.7 million).

Currently, there are 3 sub-divisions within our Leisure, Gaming and Entertainment Division, namely, Mocha Slots, Park Hyatt and Jumbo Kingdom.

MOCHA SLOTS

Recognizing that in other gaming centers such as Las Vegas and Atlantic City, over 50% of gaming revenue comes from slot machines and electronic gaming, the Group acquired Mocha Slot Group Limited ("Mocha Slots") in June 2004.

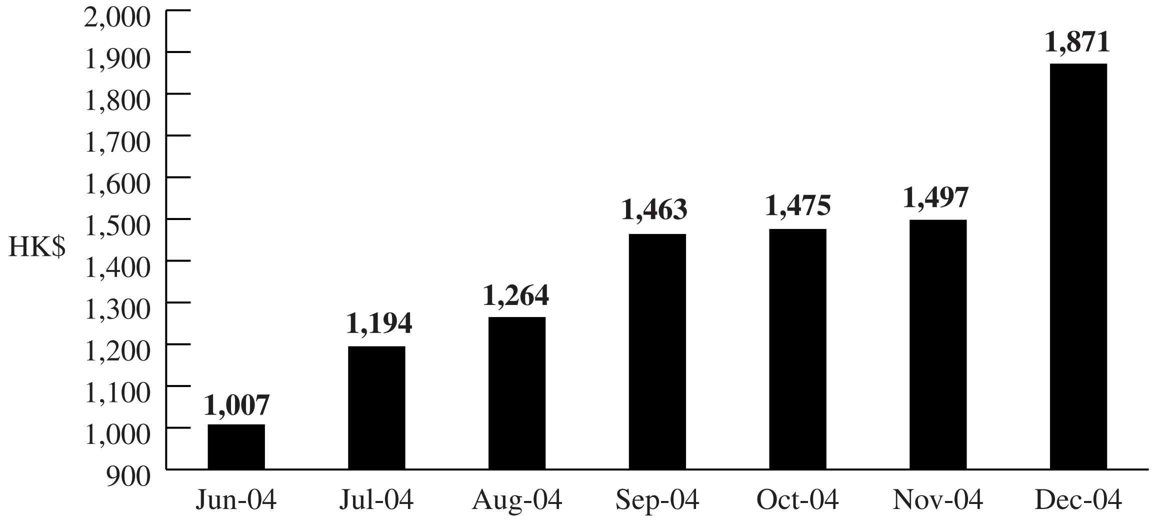
Mocha Slots target the grind (lower end) market, in particular, the exponential growth of lower end gamblers arriving from China under the Individual Travellers' Scheme. It operates a chain of slot machine lounges with upmarket décor providing a leisurely and relaxing cafe style ambience all over the Macau enclave. The slot machines installed in these lounges are no longer the mechanical boxes belonging to the last century, but state-of-the-art machines run on centralized computer networks. These lounges also incorporate multi-player machines such as electronic Roulette, Baccarat, Sic-bo (骰寶) and Caribbean Stud, all of which are popular table games played in casinos.

As at 31 March 2005, the Group had four outlets with around 700 machines in operation, accounting for roughly 25% of the total number of slot machines operating in Macau.

Total revenue generated by Mocha Slots in 2004 was HK$47.7 million* (2003 – HK$Nil). The figure only covers the operating period from 10 June 2004 (the date of acquisition of Mocha Slots) to 31 December 2004.

Despite the fact that Mocha Slots is still at its early stage of development, the key performance indicator, ie the 'average daily net win' or 'average daily gross revenue' per machine has been very encouraging. A graph showing the average daily net win per machine is shown below, one can immediately see that it is in an increasing trend.

Average Daily Net Win per Machine



It is our plan to open another 2 to 3 outlets in 2005. Our preferred venues would be in areas with high tourist flows, particularly within or near 2-star or 3-star hotels.

* Total revenue generated by Mocha Slots represents 31% of Gross Gaming Revenue.

PARK HYATT MACAU

Recognizing that over 70% of Macau's gaming revenue is derived from VIP gaming or high limit players, we announced our plan in September to build the first ever 6-star luxury hotel cum casino complex in Macau to tap the high roller market. This hotel will be managed by Hyatt International under the "Park Hyatt" brand name.

When completed, the new hotel/casino complex is expected to be the tallest building at Taipa, with a building height of 512 feet. It is expected to feature 18 guestroom floors, 5 functional floors and 6 casino floors. The gross floor area for the complex will be approximately 823,000 square feet, out of which approximately 260,000 square feet will be dedicated to gaming space and approximately 563,000 square feet will be for hotel use. The complex will be characterised by a sense of spaciousness and hyper luxury décor.

Total construction cost for this project is expected to be around HK$1.45 billion. Construction of the project has already begun. The Group targets completion towards the end of 2006. The Melco/PBL joint venture will be responsible for the marketing and branding of the hotel/casino complex, which will involve strategic cross-marketing between Park Hyatt Macau and PBL's casinos in Australia, including the highly acclaimed Crown Casino in Melbourne.

The Group initially embarked on the Park Hyatt project in collaboration with Sociedade de Turismo e Diversoes de Macau ("STDM") on a 50:50 basis. However, after a series of acquisitions from STDM, the Melco/PBL joint venture would own 100% of the project. Under the joint venture agreement, Melco would have an effective interest of 60% in the Park Hyatt Project whilst PBL would own the remaining 40%.

As the project is still in its construction phase, it made no contribution to the Group's financial performance in 2004.

JUMBO KINGDOM

Total revenue generated by Jumbo Kingdom in 2004 was HK$75 million (2003 – HK$55 million), representing an increase of 37%. However, the division continued to register a loss in 2004 due to write-offs of fixed assets not previously depreciated and the high re-branding and promotion costs incurred during the year.

Jumbo Kingdom includes the Jumbo and Tai-Pak floating restaurants located at Aberdeen, Hong Kong. During the year, conscious effort was made to revamp the famous floating complex and transform it into a 'premium dining palace'. All the upgrading work has now been completed and the much-loved tourist landmark is once again operating at full capacity. Jumbo Kingdom has now been transformed into a modern complex that incorporates fine dining, shopping, sightseeing and cultural attractions. Popular new attractions include the "Dragon

Court" restaurant, conference and banquet facilities, sampan dining offering "Typhoon Shelter" seafood meals, retail and souvenir shops, a ferry pier plaza and an open-air cafe.

Following the completion of renovation work, the Group launched an extensive marketing campaign to promote the attraction. Patronage is steadily increasing. In recognition of its iconic status in Hong Kong, Jumbo Kingdom won the Hong Kong Superbrand Award in 2004.

OTHER PROSPECTS IN GAMING

During the year, the Group concluded a deal with the Australian gaming and media giant, PBL, to form a joint venture to co-expand their gaming business in Asia. PBL owns and operates the highly acclaimed Crown Casino in Melbourne and Burswood Casino in Perth. Both casinos derive substantial revenue from Asian high rollers.

Under this deal, both parties have undertaken to co-invest with each other on an exclusive basis in any future gaming ventures in Asia, including Singapore, Thailand, Japan and the Greater China region, but excluding Australia and New Zealand. Within the Greater China region (i.e. Macau, Hong Kong, Taiwan and Mainland China), the Group will always maintain an effective interest of 60% in any new ventures while PBL would own the remaining 40%. Outside the Greater China region, PBL will always have an effective interest of 60% while the Group will own the remaining 40%.

As a first step in our expansion plan beyond Macau, we have recently, via the Melco/ PBL joint venture, submitted our proposed concept for the establishment of an "integrated resort" comprising gaming, leisure and entertainment facilities in Singapore.

As a result of Macau's economic success, many Asian governments are now considering the legalization of gaming in order to boost their economies and tourism. This includes countries such as Thailand and Japan. Looking ahead, we believe that there are many lucrative opportunities available in the gaming industry in Asia and the Melco/PBL joint venture provides us with a perfect platform to capitalize on these opportunities.

(B) INVESTMENT BANKING AND FINANCIAL SERVICES

The Group conducts its investment banking and financial services through its listed subsidiary Value Convergence Holdings Limited ('Value Convergence'), acquired in February 2003. This subsidiary offers a broad range of investment banking and brokerage services, as well as capital market and corporate finance advisory services to regional and international clients.

Total revenue generated by the Group's Investment Banking Division in 2004 was HK$126 million (2003 – HK$76 million), representing an increase of 67%. Segmental profit before tax and interest amounted to HK$14.8 million (2003 – HK$3 million), representing an increase of 392%.

The performance of the brokerage business depends very much on the market trading activity. Taking advantage of the active market activities, the financial performance of the Group's brokerage division had improved substantially during the year. It had managed to increase its market share in the local stock market, while the investment banking division had completed several placements and IPO transactions during the year. A subsidiary has been set up in Macau to provide advisory services to selective clients. This may open up new opportunities for this division and build up brand recognition of this division's business in Macau.

Looking forward, investment banking will remain a non-core business of the Group. However, effort will be made to expand its business to Macau in order to leverage off the Group's established network and connections over there.

(C) TECHNOLOGY

The Group's technology division was created in May 2004 following a group reorganization which resulted in the full acquisition of iAsia and Elixir from Value Convergence (Stock Code 8101), a 67.57% owned subsidiary of the Group. These two units are now grouped under Melco Technology Group Limited, a wholly-owned subsidiary of the Group.

Results for the Technology Division in 2004 were very encouraging. Turnover amounted to HK$154.8 million (2003 – HK$29.2 million), representing a spectacular increase of 430%. Segmental profit before tax and interest amounted to HK$14.5 million, as compared to a loss of HK$9.4 million in 2003.

Based in Macau, Elixir has established itself as a premier gaming IT infrastructure specialist offering clients a full range of system integration and network services. During the year, leveraging off the Group's strong ties to SJM, Elixir managed to secure several lucrative agreements in the provision of gaming IT infrastructure for the largest gaming concession holder in Macau. It is expected that Elixir will continue to be one of the largest IT solution providers for SJM in due course.

The iAsia group of companies, based in Hong Kong, is engaged in the provision of comprehensive online trading and related systems and services to financial institutions and intermediaries, principally in Asia. During the year, iAsia developed a new and well-received Bullion Deal Matching System. It has continued to improve and integrate its existing online trading modules and related systems, and the new Bullion Deal Matching System has enhanced the systems' comprehensiveness. The Group's IT systems for investment banking and financial services are all supported by iAsia, and iAsia has contributed significantly to improving the technological sophistication of the Group's financial services unit.

(D) PROPERTY

During the year, turnover and segment profit of the property division was HK$3.4 million (2003: HK$4.5 million) and HK$65.3 million (2003: HK$2.3 million) respectively. The decline in turnover is due to the fact that the Group's investment property in Stubbs Road (Art Court) was sold in June 2004.

In line with the Group's strategy to focus on its core business of Leisure, Gaming and Entertainment, the Group has disposed of Art Court at a consideration of HK$83 million. A profit of HK$57 million was recorded.

LIQUIDITY AND CAPITAL RESOURCES

As at 31st December 2004, total asset of the Group was HK$1,585 million which was financed by shareholders' fund of HK$1,225 million, minority interests of HK$76 million and current liabilities of HK$136 million and non-current liabilities of HK$148 million. The current ratio of the Group was 6.2 (31st December 2003: 2.9).

During the year ended 31st December 2004, the Group recorded a net cash inflow of HK$252 million. As at 31st December 2004, cash and cash equivalents of the Group totaled at HK$395 million. Gearing ratio, expressed as a percentage of total borrowings over shareholders' fund, is 0.15 time as at 31 December 2004. The Group adopts a prudent treasury policy. The cash and bank balances consisted of about 35% cash and bank balances and 65% short term fixed deposits, most of which are denominated in Hong Kong dollars to maintain minimum exposure to foreign exchange risks.

As at 31st December 2004, the Group's total available banking facilities amounted to HK$224.8 million, of which HK$70 million were secured by margin clients' listed securities, and banking facilities for HK$49.8 million were secured by the pledging of HK$77 million of the Group's assets. As at 31 December 2004, the Group utilized HK$15 million of unsecured banking facilities and the amount had been matured and repaid on 5th January 2005.

SIGNIFICANT INVESTMENTS AND CAPITAL EXPENDITURE

In the past year, the Group made several very significant investments. In June 2004, the Group acquired 80% of Mocha Slot Group Limited, which owns and operates the Mocha Slot lounges, for HK$353 million. The consideration was settled by issuing to the vendors a total of 153,478,261 of the Company's shares. In about the same time, the Company acquired the iAsia business and group from its subsidiary, Value Convergence, for HK$27.9 million, which was settled by setting off indebtedness owed by the vendor to the Company. In November 2004 and February 2005, the Group purchased a total of 70% of Great Wonders, Investments, Limited ("Great Wonders") from Sociedade de Turismo e Diversoes de Macau, S.A.R.L. ("STDM") for a total consideration of HK$156 million, which was settled by the Company's issuing two convertible notes to the vendor. In March 2005, the Group entered into a further agreement with STDM to purchase the latter's remaining 30% in Great Wonders for HK$400 million. The transaction is subject to independent shareholders' approval, and will be paid for by an issue of the Company's shares to STDM. Pursuant to a Subscription Agreement dated 23rd December 2004, the Company formed a joint venture with PBL in March 2005 to undertake the new gaming and hospitality business in Macau and Asia. Following this PBL paid a sum of US163 million (HK$1.27 billion) to the joint venture in March 2005.

During the year, capital expenditure of HK$117 million was incurred. Of this amount, HK$92 million was used for the gaming business.

During the year, HK$370 million was recorded as additional intangible assets which was mainly attributable to the recognition of goodwill arising from the acquisition of subsidiaries.

CONTINGENT LIABILITIES

As at 31st December 2004, the Group had provided a corporate guarantee for a subsidiary, VC Brokerage Limited, amounting to HK$70 million (2003: HK$50 million) to a bank in respect of banking facilities granted to the subsidiary.

EMPLOYEES

As at 31 December 2004, the Group employed a total of 710 employees (2003: 380), of which 412 are located in Hong Kong while the remaining are located in Macau and the PRC. The related staff costs for 2004, including Director's emoluments, amounted to HK$107 million (2003: HK$76 million). Increase in staff costs was mainly attributed to the substantial increase in the number of employees as a result of the Group's acquisition of the Mocha Slot Group.

The Group's remuneration policy is to provide its employees with a consistent and fair remuneration system that drives the performance of the Group and the individual employees. Its key components include base salary, discretionary bonus and share option scheme. It also provides the appropriate fringe benefits and training and development opportunities to retain and attract its talents.

DIVIDENDS

The directors are pleased to recommend a final dividend of HK one cent per ordinary share (2003: Nil) payable to shareholders whose names are on the Register of Members as at 18th May 2005. Including the interim dividend of HK one cent per ordinary share (2003: Nil) paid on 20th October 2004, the total dividend payout for the whole year shall be HK two cents per ordinary share.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 12th May 2005 to Wednesday, 18th May 2005, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrars, Standard Registrars Limited of Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 11th May 2005.

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

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

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE WEBSITE

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises three Executive Directors, namely, Dr. Stanley Ho, Mr. Lawrence Ho and Mr. Frank Tsui, two Non-executive Directors, namely, Mr. Ng Ching Wo and Mr. Ho Cheuk Yuet and three Independent Non-executive Directors, namely, Sir Roger Lobo, Mr. Robert Kwan and Dr. Lo Ka Shui.

By Order of the Board
Mr. Lawrence Ho
Managing Director

Hong Kong, 7th April 2005

Please also refer to the published version of this announcement in The Standard.