Melco International Development Limited

(Incorporated in Hong Kong with limited liability)
Website: http://www.melco-group.com
(Stock Code: 200)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

FINANCIAL HIGHLIGHTS

1. Net loss attributable to shareholders was HK$614 million for the six months ended 30 June 2008, as compared with a profit of HK$284 million for the six months ended 30 June 2007.

2. However, stripping out those non-cash and non-operating items, results actually improved from a net loss of approximately HK$323 million in the first half of 2007 to a net profit of approximately HK$16 million in the first half of 2008. For full details, please refer to the Management Discussion & Analysis section.

3. Basic loss per share was HK50.08 cents for the six months ended 30 June 2008, against basic earnings per share of HK23.16 cents for the six months ended 30 June 2007.

4. Net asset value per share attributable to shareholders decreased slightly by 6.8% to HK$7.83 as of 30 June 2008, as compared with HK$8.40 as of 31 December 2007.

5. The Group's Macau gaming business, operated through 37.9%-owned NASDAQ listed Melco Crown Entertainment Limited, staged a major turnaround with attributable contribution swinging from a loss of approximately HK$298 million in the first half of 2007 to a profit of approximately HK$131 million in the first half of 2008.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	NOTES	**Six months ended 30 June 2008** *HK$'000* **(unaudited)**	2007 *HK$'000* (unaudited)
Continuing operations			
Revenue	4	**325,357**	284,429
Other revenues		**28,273**	19,207
Investment (loss) income		**(103)**	1,005
Cost of inventories sold		**(210,284)**	(176,986)
Employee benefits expense		**(89,191)**	(80,368)
Depreciation of property, plant and equipment		**(10,850)**	(5,528)
Commission expenses		**(5,601)**	–
Gain on changes in interests in associates	5	**53,856**	386,805
Fair value changes in derivative financial instruments	6	**(191,420)**	211,840
Share of profits (losses) of jointly controlled entities		**39,895**	(5,387)
Share of losses of associates	13	**(122,395)**	(299,872)
Impairment loss recognised in respect of interests in associates	7	**(313,000)**	–
Gain on early redemption of convertible loan notes		**–**	8,827
Other expenses		**(64,482)**	(37,455)
Finance costs		**(53,907)**	(36,385)
(Loss) profit before tax		**(613,852)**	270,132
Income tax expense	8	**(11)**	(720)
(Loss) profit for the period from continuing operations		**(613,863)**	269,412
Discontinued operation			
Profit for the period from discontinued operation	9	**–**	20,197
(Loss) profit for the period		**(613,863)**	289,609

	NOTES	Six months ended 30 June 2008 HK$'000 (unaudited)	2007 HK$'000 (unaudited)
Attributable to:			
Equity holders of the Company		**(614,400)**	284,394
Minority interests		**537**	5,215
		(613,863)	289,609
Dividend	10	**12,271**	12,282
(Loss) earnings per share	11		
From continuing and discontinued operations			
Basic		**(HK50.08 cents)**	HK23.16 cents
Diluted		**(HK50.10 cents)**	HK22.11 cents
From continuing operations			
Basic		**(HK50.08 cents)**	HK21.94 cents
Diluted		**(HK50.10 cents)**	HK20.98 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2008

	NOTES	**30 June 2008 HK$'000 (unaudited)**	31 December 2007 HK$'000
Non-current assets			
Investment properties	12	**152,000**	152,000
Property, plant and equipment		**51,618**	59,636
Other intangible assets		**2,000**	2,000
Interests in jointly controlled entities		**121,014**	81,119
Interests in associates	13	**8,638,594**	8,689,271
Amounts due from associates	14	**629,473**	578,578
Available-for-sale investments		**87,437**	156,337
Goodwill		**8,555**	8,555
Pledged bank deposits	12	**972,500**	972,500
Deferred tax assets		**1,592**	1,592
		10,664,783	10,701,588
Current assets			
Trade receivables	15	**144,864**	259,705
Prepayments, deposits and other receivables		**308,382**	110,497
Inventories		**106,624**	25,764
Held-for-trading investments		**290**	430
Derivative financial instruments		**36,769**	223,626
Amounts due from associates	14	**407,832**	682,757
Pledged bank deposits	12	**947**	947
Bank balances and cash		**309,912**	308,865
		1,315,620	1,612,591
Current liabilities			
Trade payables	16	**215,879**	162,529
Other payables		**147,086**	96,480
Dividend payable		**148**	118
Taxation payables		**4,263**	3,726
Financial guarantee liability		**45,217**	45,217
Bank borrowings – due within one year	17	**49,800**	80,000
Obligations under finance lease		**219**	–
Shareholder's loan		**250,000**	250,000
		712,612	638,070

	NOTES	30 June 2008 HK$'000 (unaudited)	31 December 2007 HK$'000
Net current assets		**603,008**	974,521
Total assets less current liabilities		**11,267,791**	11,676,109
Non-current liabilities			
Long-term trade payables	16	**126,923**	–
Financial guarantee liability		**144,417**	167,025
Bank borrowings – due after one year	17	**150,000**	–
Obligations under finance lease – due after one year		**1,727**	–
Consideration payable		**169,844**	168,142
Convertible loan notes – due after one year		**1,030,630**	999,399
		1,623,541	1,334,566
		9,644,250	10,341,543
Capital and reserves			
Share capital		**614,666**	614,238
Share premium and reserves		**9,006,617**	9,704,875
Equity attributable to equity holders of the Company		**9,621,283**	10,319,113
Minority interests		**22,967**	22,430
		9,644,250	10,341,543

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2008

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007 except that during the current period the Group has applied for the first time an accounting policy for obligations under finance lease, as follows.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

In the current interim period, the Group has applied, for the first time, new interpretations ("new Interpretations") issued by the HKICPA that are effective for the Group's financial year beginning 1 January 2008. The adoption of the new Interpretations had no material effect on the results or financial position of the Group for the current and prior accounting periods. Accordingly, no prior period adjustments have been required.

The Group has not early applied the new, revised and amended standards or interpretations that have been issued but are not yet effective. The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 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 of the Company anticipate that the application of the other standards or interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

The Group's business can be principally segregated to three operating divisions during the period. In 2007, the Group also operated Financial Services Segment.

The Leisure, Gaming and Entertainment Segment mainly comprises provision of catering, entertainment, gaming and related services.

The Technology Segment mainly comprises (a) provision of gaming technology consultation services and (b) development and sales of financial trading and settlement systems in Asia.

The Property and Other Investments Segment mainly comprises property investments, other investments and related activities.

The Financial Services Segment (operated through a former subsidiary, Value Convergence Holdings Limited ("VC")) mainly comprises (a) provision of corporate finance advisory service and (b) broking and dealing for clients in securities, futures and options contracts. VC was deemed disposed of and became an associate in September 2007.

4. SEGMENTAL INFORMATION

Segment information about these businesses is presented below:

Six months ended 30 June 2008 (unaudited):

	Leisure, gaming and entertainment *HK$'000*	Technology *HK$'000*	Property and other investments *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
External sales	**54,065**	**236,468**	**34,824**	**–**	**325,357**
Inter-segment sales	**523**	**51**	**919**	**(1,493)**	**–**
Total revenue	**54,588**	**236,519**	**35,743**	**(1,493)**	**325,357**
Segment result	**921**	**(3,268)**	**34,596**	**(994)**	**31,255**
Unallocated corporate expenses					**(83,261)**
Unallocated corporate income					**25,125**
Finance costs					**(53,907)**
Gain on changes in interests in associates					**53,856**
Fair value changes in derivative financial instruments					**(191,420)**
Share of profits of jointly controlled entities					**39,895**
Share of losses of associates					**(122,395)**
Impairment loss recognised in respect of interests in associates					**(313,000)**
Loss before tax					**(613,852)**
Income tax expense					**(11)**
Loss for the period					**(613,863)**

Inter-segment sales are charged at terms agreed by both parties.

Six months ended 30 June 2007 (unaudited):

	Continuing operations					Discontinued operation			
	Leisure, gaming and entertainment	Technology	Property and other investments	Elimination	Total	Financial services	Elimination	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
External sales	41,940	192,269	50,220	–	284,429	133,712	–	133,712	418,141
Inter-segment sales	589	1,345	6,911	(8,845)	–	190	(190)	–	–
Total revenue	42,529	193,614	57,131	(8,845)	284,429	133,902	(190)	133,712	418,141
Segment result	(3,404)	8,603	50,868	(4,216)	51,851	39,396	(190)	39,206	91,057
Unallocated corporate expenses					(47,547)			–	(47,547)
Finance costs					(36,385)			(14,198)	(50,583)
Loss on deemed disposal of partial interest in a subsidiary					–			(11)	(11)
Gain on changes in interests in associates					386,805			–	386,805
Fair value changes in derivative financial instruments					211,840			–	211,840
Share of losses of jointly controlled entities					(5,387)			–	(5,387)
Share of losses of associates					(299,872)			–	(299,872)
Gain on early redemption of convertible loan notes					8,827			–	8,827
Profit before tax					270,132			24,997	295,129
Income tax expense					(720)			(4,800)	(5,520)
Profit for the period					269,412			20,197	289,609

Inter-segment sales are charged at terms agreed by both parties.

5. GAIN ON CHANGES IN INTERESTS IN ASSOCIATES

(i) During the period, the Group and its associate, Melco China Resorts Investment Limited ("MCR"), entered into a series of transactions for the purpose of the amalgamation of MCR with Virtual China Travel Services, Co., Ltd. ("VCTS"), a company listed on the Toronto Stock Exchange ("TSX") Venture Exchange, including:

a) In March 2008, the Group and the other two shareholders of MCR agreed to amend the Memorandum and Articles of Association of MCR such that it has three classes of shares with different economic interest. The original MCR shares held by the Group and the amount of HK$291 million which have been advanced by the Group to MCR, were exchanged for new shares so that the Group's economic interest in MCR increased from 45% to 70.1% while the voting power remained at 45%;

b) Melco China Resorts (Holding) Limited ("MCR BC") issued shares in May 2008 in exchange for the shares of MCR held by all MCR shareholders, including the Group ("Share Swap"). Under the terms of the Share Swap, MCR BC issued 411,091,347 common shares and 84,375,653 convertible preference shares in exchange for the Group's interest in MCR. MCR became the wholly-owned subsidiary of MCR BC, which then became an associate of the Group. Each of the convertible preference shares can be converted into one common share of MCR BC at any time after six months from date of issuance of 27 May 2008 without expiry date and entitle the holder a cumulative dividend of CAD0.001 per share;

c) the Group and certain independent investors subscribed for common shares and warrants in MCR BC ("Subscription"). Under the subscription agreement entered into by the Group, the Group subscribed for 20,000,000 common shares and 10,000,000 warrants issued by MCR BC at a consideration of approximately HK$46,834,000 (CAD6,000,000). The cost of common shares of approximately HK$42,307,000 forms part of the Group's initial cost of investment in MCR BC while the remaining HK$4,527,000 represents the initial carrying amount of the warrants held by the Group, which are accounted for as derivative financial instruments. In addition, the independent investors subscribed for 220,436,358 common shares and 110,218,179 warrants issued by MCR BC at a consideration of approximately HK$516,196,000 (CAD66,131,000); and

d) MCR BC then completed the reverse take-over of VCTS by way of an amalgamation ("Amalgamation") and its common shares and warrants then commenced trading on the TSX Venture Exchange. Upon the completion of the Amalgamation, the common shares, convertible preference shares and warrants issued by MCR BC were also consolidated on a 10 to 1 basis.

The Share Swap, Subscription and Amalgamation were completed on or about the same date in May 2008. As a result, the Group's interest in the associate has been changed to 49.3% but the net assets of MCR BC attributable to the Group increased and a gain of approximately HK$54,370,000 was thus recognised.

(ii) During the period ended 30 June 2008, the interest in VC attributable to the Group decreased by approximately HK$514,000 resulting from the exercise of certain share options of VC by the option holders. The Group's ownership interest in VC decreased from 43.5% to 43.4% during the period.

As a result of the above, the Group therefore recognised a gain of approximately HK$53,856,000 for the above change in interests in associates during the period ended 30 June 2008.

(iii) In January 2007, the underwriters of the global offering of American Depositary Shares ("ADSs") of the associate, Melco Crown Entertainment Limited ("MPEL", formerly known as Melco PBL Entertainment (Macau) Limited), fully exercised the over allotment option granted to them. The exercise in full of the over allotment option resulted in the sale by MPEL of an additional 9,037,500 ADSs, representing 27,112,500 ordinary shares, at the initial public offering price of HK$147.8 (US$19) per ADS less the underwriting commission. As a result, a gain of approximately HK$386,805,000 was recognised during the period ended 30 June 2007 for the share of additional interest attributable to the Group.

6. FAIR VALUE CHANGES IN DERIVATIVE FINANCIAL INSTRUMENTS

During the period ended 30 June 2008, a decrease in fair value regarding the warrants of an associate, Elixir Gaming Technologies, Inc. ("EGT") and MCR BC (see note 5) held by the Group of HK$189,000,000 (six months ended 30 June 2007: an increase in fair value of HK$211,840,000) and HK$2,420,000 (six months ended 30 June 2007: Nil), respectively, was recognised in the condensed consolidated income statement.

7. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF INTERESTS IN ASSOCIATES

During the period ended 30 June 2008, there was an indicator of impairment as a result of the decreases in share price of an associate, EGT. The Group then performed an impairment assessment and recognised an impairment loss of approximately HK$313,000,000 in relation to its interests in associate – EGT. The recoverable amount of EGT has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management of EGT covering a 5 years period, and discount rate of 14%. EGT's cash flows beyond the 5 year period are extrapolated using a steady 4% growth rate, management of the Group believes that a 4% growth rate is reasonable. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. The recoverable amount of EGT was approximately HK$610,563,000 while the aggregate market price of the shares held by the Group was approximately HK$427,589,000.

8. INCOME TAX EXPENSE

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 16.5% for the six months ended 30 June 2008 (six months ended 30 June 2007: 17.5%). Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

No provision for Hong Kong Profits Tax is made during the period ended 30 June 2008 as there was no estimated assessable profit.

	Continuing operations Six months ended 30 June		Discontinued operation Six months ended 30 June		Consolidated Six months ended 30 June	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
The income tax expense comprises:						
Hong Kong Profits Tax	**–**	–	**–**	3,119	**–**	3,119
Other jurisdictions	**11**	720	**–**	–	**11**	720
Deferred taxation	**–**	–	**–**	1,681	**–**	1,681
Income tax expense	**11**	720	**–**	4,800	**11**	5,520

9. DISCONTINUED OPERATION

In September 2007, the Group's interest in VC decreased resulting from i) the exercise of certain VC share options by the share option holders, who are minority shareholders of VC, and ii) the two placements of shares by VC.

The results and cash flows of this discontinued operation included in the consolidated income statement and the consolidated cash flow statement were as follows:

	Six months ended 30 June 2007
	HK$'000
	(unaudited)
Revenue	133,712
Other revenues	283
Investment loss	(94)
Loss on deemed disposal of partial interest in a subsidiary	(11)
Expenses	(108,893)
Profit before tax	24,997
Income tax expense	(4,800)
Profit for the period	20,197
Cash flows from discontinued operation	
Net cash flows used in operating activities	(1,228,717)
Net cash flows used in investing activities	(1,342)
Net cash flows from financing activities	1,215,899
	(14,160)

10. DIVIDEND

During the period ended 30 June 2008, a dividend of HK$0.01 per share amounting to approximately HK$12,271,000 (six months ended 30 June 2007: HK$0.01 per share amounting to approximately HK$12,282,000) was paid to shareholders as the final dividend for 2007. The dividends for shares held under the share award scheme are eliminated from the final dividend for 2007.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

11. (LOSS) EARNINGS PER SHARE

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

	Continuing and discontinued operations Six months ended 30 June		**Continuing operations Six months ended 30 June**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
(Loss) earnings				
(Loss) earnings for the purposes of basic (loss) earnings per share ((loss) profit for the period attributable to equity holders of the Company)	**(614,400)**	284,394	**(614,400)**	269,510
Effect of dilutive potential ordinary shares *(note)*:				
Interest on convertible loan notes	**–**	3,596	**–**	3,596
Adjustments to the share of results of associates (six months ended 30 June 2007: a subsidiary) based on potential dilution of its earnings per share	**(262)**	(215)	**(262)**	–
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(614,662)**	287,775	**(614,662)**	273,106

	Continuing and discontinued operations Six months ended 30 June		Continuing operations Six months ended 30 June	
	2008	2007	**2008**	2007
Number of shares				
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	**1,226,807,669**	1,228,159,114	**1,226,807,669**	1,228,159,114
Effect of dilutive potential ordinary shares *(note)*:				
Share options	**–**	10,058,461	**–**	10,058,461
Convertible loan notes	**–**	63,306,832	**–**	63,306,832
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**1,226,807,669**	1,301,524,407	**1,226,807,669**	1,301,524,407

Note: The number of shares adopted in the calculation of the basic (loss) earnings per share has been arrived at after eliminating the shares in the Company held by the Company's share award scheme. During the period ended 30 June 2008, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible loan notes and exercise of share options as the effect would result in a decrease in loss per share.

During the period ended 30 June 2007, the computation of diluted earnings per share does not assume the conversion of certain of the Company's outstanding convertible loan notes since their exercise would result in an increase in earning per share during the period ended 30 June 2007.

12. PLEDGE OF ASSETS

At 30 June 2008, the Group's bank deposits and investment properties which amounted to approximately HK$947,000 and HK$85,000,000, respectively, were pledged for obtaining the banking facilities granted to a subsidiary of the Company (31 December 2007: bank deposit of approximately HK$947,000 and investment properties of approximately HK$85,000,000).

Also as at 30 June 2008, the Company placed a bank deposit of HK$972,500,000 (equivalent to US$125,000,000) (31 December 2007: HK$972,500,000) for an undertaking in connection with a long term loan facilities obtained by the associate, MPEL, and was therefore classified as non-current asset.

13. INTERESTS IN ASSOCIATES

As at 30 June 2008, the Group holds approximately 37.9% interests in MPEL, 43.4% interests in VC, 49.3% interests in MCR BC, 54.8% interests in Power Way Group Limited ("Power Way") and 39.8% interests in EGT. During the period ended 30 June 2008, the Group recognised share of losses of these associates of approximately HK$122,395,000 (six months ended 30 June 2007: HK$299,872,000).

14. AMOUNTS DUE FROM ASSOCIATES

Included in amounts due from associates are i) amount of approximately HK$578,578,000 (31 December 2007: HK$578,578,000) which is unsecured, bearing interest at HIBOR rate and not repayable within twelve months from the balance sheet date; ii) amount of approximately US$13,839,000 (equivalent to approximately HK$107,670,000) (31 December 2007: Nil) which is unsecured, bearing interest at 8% per annum and repayable by 22 equal monthly installments. Approximately HK$56,775,000 of such balance is included in current assets and the remaining balance of approximately HK$50,895,000 is included in non-current assets and iii) amount of approximately HK$241,900,000 (31 December 2007: HK$241,900,000) which is unsecured, bearing interest at HIBOR plus 1.25% to 2% and repayable upon written notice given from the Company. The remaining amounts due from associates of approximately HK$109,157,000 (31 December 2007: HK$440,857,000) are unsecured, non-interest bearing and repayable within twelve months.

15. TRADE RECEIVABLES

	As at 30 June 2008	As at 31 December 2007
	HK$'000	*HK$'000*
	(unaudited)	
Trade receivables *(Notes a & b)*	**148,174**	263,015
Allowance for doubtful receivables	**(3,310)**	(3,310)
	144,864	259,705

The aged analysis of trade receivables at the balance sheet date is as follows:

	As at 30 June 2008	As at 31 December 2007
	HK$'000	*HK$'000*
	(unaudited)	
Within 30 days	**70,056**	200,792
31 – 90 days	**10,313**	7,665
Over 90 days	**64,495**	51,248
	144,864	259,705

Notes:

(a) The Group's Leisure, Gaming and Entertainment Segment is largely operated on cash on delivery or payment in advance terms, except for those well-established customers to whom credit terms of 30 to 90 days would be granted.

(b) Other trade receivables on the Group's Technology Segment are due immediately from date of billing but the Group will generally grant a normal credit period of 30 days on average to its customers.

16. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on payment due date, is as follows:

	As at 30 June 2008 *HK$'000* **(unaudited)**	As at 31 December 2007 *HK$'000*
Within 30 days	**23,896**	125,781
31-90 days	**4,114**	3,406
Over 90 days	**41,252**	33,342
	69,262	162,529
Trade payable by installment *(note)*	**273,540**	–
	342,802	162,529
Analysed as:		
Current liabilities	**215,879**	162,529
Non-current liabilities *(note)*	**126,923**	–
	342,802	162,529

Note: The amount represents trade payable to vendors by installment, which is bearing interest at 5% to 12% per annum. Included in trade payable by installment is amount of approximately HK$126,923,000 (31 December 2007: Nil) which is not repayable within twelve months from the balance sheet date.

17. BANK BORROWINGS – DUE WITHIN ONE YEAR AND DUE AFTER ONE YEAR

The amount due within one year represented short-term bank borrowings of HK$49,800,000 raised during the period (31 December 2007: HK$80,000,000, which was settled during the period ended 30 June 2008) which is repayable within one year, unsecured and carries interest at 1.3% per annum over Hong Kong Interbank Offered Rates ("HIBOR").

The amount due after one year represented two-year bank borrowings of HK$150,000,000 raised during the period, which is unsecured and carries interest at 1.2% per annum over HIBOR.

18. CONTINGENT LIABILITIES

At 30 June 2008, the Company provides a corporate guarantee of approximately HK$8,006,000 (31 December 2007: HK$8,453,000) to an insurance company in respect of the goods purchased and services provided by its subsidiary and the amount utilised is approximately HK$6,215,000 (31 December 2007: Nil).

On 5 September 2007, the Company has given an undertaking in connection with the HK$13.65 billion (US$1.75 billion) loan facilities obtained by Melco Crown Gaming (Macau) Limited ("Melco Crown Gaming", formerly known as Melco PBL Gaming (Macau) Limited), a subsidiary of MPEL. The undertaking given by the Company is to ensure that a contingent contribution of up to a maximum amount of HK$972,500,000 (US$125,000,000) will be provided, upon request of the facility agent acting on behalf of the lenders, to pay contingencies (if any) associated with the construction of the City of Dreams project of Melco Crown Gaming in the absence of other available funding for completion of the project. The Company maintain a standby letter of credit for the said maximum amount to support its contingent obligation. PBL (which was subsequently replaced by Crown Limited) has given a similar undertaking and entered into a similar arrangement in connection with the said loan facilities.

19. POST BALANCE SHEET EVENTS

In July 2008, Melco LottVentures Holdings Limited ("MLV Holdings"), a wholly-owned subsidiary of the Company, and Global Crossing Holdings Limited ("Global Crossing") advanced to Power Way a two-year shareholders' loan (the "Loan") of HK$80 million. MLV Holdings and Global Crossing are two of the three shareholders of Power Way. After receiving the Loan from MLV Holdings and Global Crossing, Power Way then advanced a corresponding shareholder loan to Melco LottVentures Limited, which is an associate of Power Way.

MLV Holdings has advanced approximately HK$54 million of the Loan and Global Crossing has advanced approximately HK$26 million of the Loan, respectively, to Power Way. The Loan is unsecured and bearing interest at 5% per annum from the date of drawing. The Loan is repayable by allotting and issuing shares of Power Way to MLV Holdings and Global Crossing (the "Capitalisation"), which will be equivalent to their respective contributions to the Loan and the interests accrued thereon. LottVision Limited, the remaining shareholder of Power Way, has not participated in the Loan transaction but has acknowledged that the repayment of the Loan by way of the Capitalisation and has further irrevocably and unconditionally agreed that its shareholdings of and in Power Way will be diluted due to the Capitalisation.

MANAGEMENT DISCUSSION & ANALYSIS

Significant Events and Developments

Gaming business in Macau

The first half of 2008 saw a major turnaround in the Group's main associate, Melco Crown Entertainment Limited (NASDAQ: MPEL) ("MPEL", formerly known as Melco PBL Entertainment (Macau) Limited). The attributable contribution to Melco from its 37.9%-ownership in MPEL swung from a loss of approximately HK$298 million in the first half of 2007 to a profit of approximately HK$131 million in the first half of 2008. The turnaround was primarily due to Crown Macau's strategy to enhance its focus on the VIP rolling chip segment in Macau. According to the financial statements of MPEL, their net revenue increased from US$65.4 million in the first half of 2007 to US$867.5 million in the first half of 2008 with adjusted EBITDA increasing dramatically from a loss of US$13.3 million to a benefit of US$113.5 million in the corresponding periods. Crown Macau's market share also expanded from just under 2.7% in June 2007 to around 14% in the month of June 2008, making it one of the largest VIP casinos in the world in terms of betting volume.

Development and construction of City of Dreams remains on track. The first phase of the project was topped out in April 2008 and is scheduled to open in the first half of 2009. All four hotel towers in the project, namely the Crown Towers, Hard Rock and the twin-towered Grand Hyatt hotels, had topped out and interior fit-out work is well underway. Total construction cost for the City of Dreams, based on the latest estimates, is expected to be around US$2.3 billion.

With an average of 1,070 gaming machines installed across six operations, Mocha Clubs continued to deliver a steady source of income to MPEL. Average net win per machine per day also improved to US$228 in the second quarter of 2008 from US$223 for the corresponding period in 2007.

Slot Machine Participation business in South East Asia

Elixir Gaming Technologies, Inc. (AMEX:EGT) ("EGT"), in which the Group has an effective equity interest of 39.8%, has made solid progress. As at 12 August 2008, there were 1,262 gaming machines installed on a revenue participation basis across 14 venues in the Philippines and Indo China. As a result of some start-up problems and delay in ramping up, contribution from EGT in the first half of 2008 was below expectation with operating loss of approximately HK$58.6 million attributable to the Group. Significant effort and initiatives have been taken by Management to improve performance. These initiatives have started to bear fruits, as evidenced by the net win per machine improving to US$51 in July 2008, up from US$29 for the second quarter and US$33 in the month of June. Management expects to see continuing improvement in the second half of this year.

Lottery Management business in Asia

Melco LottVentures Limited (Stock Code: 8198) ("Melco LottVentures"), in which the Group has an effective interest of 37.5% on a fully diluted basis (assuming full conversion of all outstanding convertibles), made its first move to expand beyond China. In March 2008, Melco LottVentures announced its proposed acquisition of the entire issued share capital of KTeMS Co Ltd, a South Korean company which owns 14% equity interest in Nanum Lotto Co. Ltd., which is a consortium holding exclusive rights to operate off-line lotto games in South Korea. The acquisition was approved by shareholders at an extraordinary general meeting on 15 April 2008. Detailed due diligence check is near to completion and the transaction is scheduled for formal closing before the end of September 2008.

Ski Resort business in China

In May 2008, the Group successfully obtained a listing status for its ski resort business in China on the TSX Venture Exchange ("TSX") in Toronto, Canada. Through a series of complex transactions involving the reverse take-over of Virtual China Travel Services Co., Ltd. ("VCTS") (formerly NEX: CTX.H), the Group now owns 49.3% of Melco China Resorts (Holding) Limited (TSXV: MCG, MCG.WT) ("MCR"). This is an important step for MCR which aspires to building a portfolio of premier ski resort destinations in China.

MCR acquired 5 ski resorts last year and plans to develop them into world-class luxury all-year mountain resorts. These mountain resorts also have significant potential for the development of premium real estates for discerning buyers. Related works have commenced, beginning with Sun Mountain Yabuli, situated in Harbin. The development at Yabuli comprises three new five-star hotels and is expected to be re-opened for business in the coming winter season towards the end of 2008. It has topped out two of the hotels and broken ground for its first luxury home project which will be available for sale later this year. Initial improvement work of the Sky Mountain Beidahu and Star Mountain Beijing resorts were completed. Planning for the development of Adventure Mountain Changchun resort and the private Lotus Mountain Club, is also underway.

Financial Services business in Hong Kong and Macau

The Group's 43.4% owned Value Convergence Holdings Limited (Stock Code: 821) ("Value Convergence") signed a joint venture agreement with Macquarie Macau (a member of Macquarie Group) ("Macquarie") to form a private equity property development fund, which will focus on the development of mid to high-end residential properties in Macau. The joint venture has recently entered into a deed of undertaking to acquire a plot of land in Macau as a seed project for the proposed fund.

On 15 August 2008, Value Convergence transferred the listing of its shares from the Growth Enterprise Market (the "GEM") to the Main Board of the Hong Kong Stock Exchange. The new listing status has not only helped to lift its profile, but has also increased the liquidity of its shares, making them more appealing to both institutional and retail investors. More importantly, this will enhance the ability of Value Convergence to raise funding for future business development.

Achievements and Awards

During the six months ended 30 June 2008, the Group received a number of accolades for its good practices in corporate governance and social responsibilities.

In first half 2008, Melco won the Corporate Governance Asia Annual Recognition Award by *Corporate Governance Asia* magazine for the third consecutive year. It was also recognized by *FinanceAsia* magazine as one of Hong Kong's Best Managed Companies for the second year in 2008, and among those Melco was named one of the Best in Corporate Governance and Best in Investor Relations. These ranks and awards testified the investment community's recognition of the Group's excellent performance and management standards. On the social responsibility aspect, Melco was granted the President Award 2008 by The Community Chest in recognition of its consistent support in community services.

As a world-class luxurious hotel, Crown Macau was awarded the "Best Casino Interior Design Award" in the first "International Gaming Awards 2008" held in London in early 2008. The award recognizes outstanding design in the casino sector. Among all the hotels and casinos currently operating in Macau, Crown Macau is the first property to receive the "Best Interior Design" honor and earn international recognition. Furthermore, its "infinity edge" swimming pool has also been selected as one of the world's ten Best Hotel Swimming Pool by *US Forbes Traveler*.

FINANCIAL REVIEW

The segment information shown in Note 4 to the Condensed Consolidated Financial Information is reproduced below with some minor re-arrangements:

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Segmental Result: Leisure, Gaming and Entertainment	**921**	(3,404)
Segmental Result: Technology	**(3,268)**	8,603
Segmental Result: Financial Services	**–**	39,396
Segmental Result: Property and Other Investments	**34,596**	50,868
Intra-group elimination	**(994)**	(4,406)
Group operating result	**31,255**	91,057
Loss on deemed disposal of partial interest in a subsidiary	**–**	(11)
Gain on changes in interests in associates	**53,856**	386,805
Share of profits (losses) of jointly controlled entities	**39,895**	(5,387)
Share of losses of associates	**(122,395)**	(299,872)
Impairment loss recognised in respect of interests in associates	**(313,000)**	–
Fair value changes in derivative financial instruments	**(191,420)**	211,840
Gain on early redemption of convertible loan notes	**–**	8,827
Unallocated corporate income	**25,125**	–
Unallocated corporate expenses	**(83,261)**	(47,547)
Finance costs	**(53,907)**	(50,583)
(Loss) profit before tax	**(613,852)**	295,129
Income tax expense	**(11)**	(5,520)
(Loss) profit for the period	**(613,863)**	289,609
Minority interests	**(537)**	(5,215)
(Loss) profit for the period attributable to shareholders	**(614,400)**	284,394

Consolidated loss attributable to shareholders amounted to approximately HK$614.4 million for the six months ended 30 June 2008, against a consolidated profit of approximately HK$284.4 million recorded for the same period in 2007.

However, as can be seen in the following table, after stripping out non-cash and non-operating items, the Group's operating results actually improved from a loss of approximately HK$323.1 million in the first half of 2007 to a profit of approximately HK$16.2 million in the first half of 2008.

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	Unaudited	Unaudited
(Loss)/profit for the period attributable to shareholders per Condensed Consolidated Income Statement	**(614,400)**	284,394
Non-cash and non-operating items		
Add: Impairment loss recognised in respect of interests in associates	**313,000**	–
Add/(Less): Fair value changes in derivative financial instruments	**191,420**	(211,840)
Add: Share of fair value reduction on convertible bonds held by an associate *(note)*	**180,035**	–
Add: Loss on deemed disposal of partial interest in a subsidiary	**–**	11
Less: Gain on changes in interests in associates	**(53,856)**	(386,805)
Less: Gain on early redemption of convertible loan notes	**–**	(8,827)
Profit/(loss) for the period attributable to shareholders after stripping out non-cash and non-operating items	**16,199**	(323,067)

(note) ***Share of fair value reduction on convertible bonds held by an associate*** – Included under share of losses of associates is an amount of approximately HK$180 million (the first half of 2007 – Nil) which relates to a write-down of the fair value of certain convertible bonds on Melco LottVentures held by Power Way. This write-down is of a non-operating and non-cash nature. Full details are given in Note 13 to the Condensed Consolidated Financial Information.

LEISURE, GAMING AND ENTERTAINMENT

For the six months ended 30 June 2008, contribution from this segment amounted to approximately HK$0.9 million (six months ended 30 June 2007: loss of HK$3.4 million) and is made up as follows:

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Jumbo Kingdom	**2,291**	(3,085)
Others	**(1,370)**	(319)
	921	(3,404)

Jumbo Kingdom

Jumbo Kingdom includes the Jumbo and Tai-Pak floating restaurants located in Aberdeen in Hong Kong, and Jumbo's Chua Lam Gourmet Kitchen in Macau. Thanks to the increase in patronage, Jumbo Kingdom made a positive contribution of approximately HK$2.3 million for the six months ended 30 June 2008 (six months ended 30 June 2007: loss of HK$3.1 million).

TECHNOLOGY

The Group's technology segment provides gaming technology consultation services in Macau, and is involved in the development and sale of financial trading and settlement systems in Asia. Loss from this segment was approximately HK$3.3 million for the six months ended 30 June 2008 (six months ended 30 June 2007: profit of HK$8.6 million) and is made up as follows:

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Elixir Technology	**(6,639)**	5,208
iAsia Technology	**3,387**	3,413
Others	**(16)**	(18)
	(3,268)	8,603

Elixir Technology

Elixir Technology is a gaming product supplier specializing in the design, development, and supply of gaming products. It is also a provider of information communications technology to various gaming concession holders in Macau and gaming venue operators throughout Asia.

Elixir Technology made a negative contribution of approximately HK$6.6 million for the six months ended 30 June 2008 (six months ended 30 June 2007: profit of HK$5.2 million) as it was going through a transformational change and repositioning itself from an equipment distributorship to becoming Asia's only gaming machine supplier with R&D and manufacturing capabilities.

iAsia Technology

During the Review Period, iAsia made a positive contribution to the Group amounting to approximately HK$3.4 million (six months ended 30 June 2007: HK$3.4 million).

FINANCIAL SERVICES

The Group's financial services division operates via Value Convergence. Value Convergence successfully completed two rounds of share placements in 2007. After the completion of the second share placement by Value Convergence in September 2007, the Group's ownership in Value Convergence fell below 50%. As a result, Value Convergence has ceased to be a subsidiary and become an associate of the Group. For the period under review, the attributable results of Value Convergence are shown under "SHARE OF LOSSES OF ASSOCIATES".

PROPERTY AND OTHER INVESTMENTS

This division handles property investment and treasury activities for the Group. For the six months ended 30 June 2008, it recorded a segmental profit of approximately HK$34.6 million (six months ended 30 June 2007: HK$50.9 million). The decrease was primarily due to lower interest income resulting from low interest rate environment prevailing during the Review Period.

LOSS ON DEEMED DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY

A loss of approximately HK$11,000 was recognised for the six months ended 30 June 2007 as a result of the exercise of certain share options by minority shareholders of Value Convergence. As explained above, Value Convergence ceased to be a subsidiary of the Group as from September 2007 onwards.

GAIN ON CHANGES IN INTERESTS IN ASSOCIATES

Gain on changes in interests in associates is made up of the following items:

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Gain on changes in interests in MCR (1)	**54,370**	–
Loss on changes in interests in Value Convergence (2)	**(514)**	–
Gain on changes in interests in MPEL (3)	**–**	386,805
	53,856	386,805

(1) Gain on changes in interests in MCR

On 27 May 2008, the shareholders of Melco China Resort Investment Limited ("MCR Cayman"), previously owned as to 45% by the Group, entered into a sale and purchase agreement with Melco China Resorts (Holding) Limited ("MCR") and agreed to sell 100% of the equity interests in MCR Cayman. Upon completion of the transaction, MCR Cayman became a wholly-owned subsidiary of MCR.

On 28 May 2008, MCR completed the reverse take-over of VCTS by way of an amalgamation and its common shares and warrants commenced trading on the TSX on the same date.

As a result of the above, the Group's effective ownership in the associate has been changed to 49.3% but the net assets of MCR attributable to the Group have increased. Therefore, a gain of approximately HK$54.4 million was recognised during the period ended 30 June 2008. Full details and explanations are given in Note 5 to the Condensed Consolidated Financial Information.

(2) Loss on changes in interests in Value Convergence

During the Review Period, the Group's equity interest in Value Convergence decreased from 43.5% to 43.4% resulting from the exercise of certain share options of Value Convergence by the option holders. Therefore, a loss of approximately HK$514,000 was recognised.

(3) Gain on changes in interests in MPEL

In January 2007, the underwriters of the global offering of American Depository Shares ("ADSs") of MPEL fully exercised the over allotment option granted to them. This resulted in the sale by MPEL of an additional 9,037,500 ADSs and a gain of approximately HK$386.8 million in the first half of 2007.

SHARE OF PROFITS (LOSSES) OF JOINTLY CONTROLLED ENTITIES

Share of profits (losses) of jointly controlled entities is made up of the following:

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Share of profit of Melco PBL SPV (1)	**39,895**	–
Share of loss of PAL and its subsidiaries (2)	**–**	(5,387)
	39,895	(5,387)

(1) Share of profit of Melco PBL SPV

On 30 July 2007, the Group and Crown Limited (formerly known as PBL) formed a 50:50 joint venture, Melco PBL SPV Limited ("Melco PBL SPV") for the purpose of issuing exchangeable bonds ("Exchangeable Bonds") with an aggregate principal amount of HK$1,560 million (US$200 million) plus up to an additional HK$390 million (US$50 million) issuable pursuant to an over-allotment option, to fund a share purchase program for acquiring ADS of MPEL.

On 11 September 2007 and 24 September 2007, the Exchangeable Bonds with an aggregate principal amount of HK$1,560 million (US$200 million) and HK$390 million (US$50 million) respectively were issued, both of which will mature in September 2012 and have been listed on the Singapore Stock Exchange. The Exchangeable Bonds are jointly and severally guaranteed by the Group and Crown Limited.

For the six months ended 30 June 2008, the attributable profit, amounting to approximately HK$39.9 million (six months ended 30 June 2007: Nil), was recognized mainly due to the reduction in fair value on the Exchangeable Bonds (the liability component) as a result of the fall in the share price of MPEL.

(2) Share of loss of PAL and its subsidiaries

PAL Development Limited ("PAL") was previously owned as to 60% by the Group. During the year ended 31 December 2007, the Group disposed of its interest in PAL to Power Way Group Limited ("Power Way"), a newly incorporated company formed by the Group and other independent third parties. The disposal was completed in December 2007 and PAL ceased to become a jointly controlled entity of the Group for the period under review. For the Review Period, Power Way is treated as an associate of the Group and its results are included under "SHARE OF LOSSES OF ASSOCIATES".

SHARE OF LOSSES OF ASSOCIATES

Share of losses of associates is made up of the following:

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Share of profit (loss) of MPEL and its subsidiaries (1)	**130,611**	(297,727)
Share of profit of Value Convergence and its subsidiaries (2)	**3,308**	–
Share of loss of Power Way (3)	**(184,112)**	–
Share of loss of EGT and its subsidiaries (4)	**(58,581)**	–
Share of loss of MCR and its subsidiaries (5)	**(13,621)**	(2,145)
	(122,395)	(299,872)

(1) Share of profit (loss) of MPEL and its subsidiaries

For the period under review, the Group's attributable profit arising from its 37.9% ownership of MPEL amounted to approximately HK$130.6 million (six months ended 30 June 2007: attributable loss of HK$297.7 million).

According to the financial statements of MPEL, MPEL reported revenue of approximately HK$6,749.2 million (US$867.5 million) for the six months ended 30 June 2008, as compared to approximately HK$508.8 million (US$65.4 million) for the same period of 2007, representing a year-on-year increase of 1,226%. This remarkable increase was primarily driven by improved operating performance and a full six-month operation at Crown Macau, which opened in May 2007. MPEL reported net income of approximately HK$291.8 million (US$37.5 million) for the six months ended 30 June 2008, as compared to a net loss of approximately HK$750 million (US$96.4 million) for the same period of 2007.

For the six months ended 30 June 2008, net revenue at Crown Macau increased remarkably by 3,058% on a year-on-year basis to approximately HK$6,387 million (US$821.0 million) and VIP rolling chip volume increased by 3,690% on a year-on-year basis to approximately HK$294.9 billion (US$37.9 billion). Drop in the mass market table games segment amounted to approximately HK$1,469.6 million (US$188.9 million), and revenue from gaming machines amounted to approximately HK$61.5 million (US$7.9 million) for the six months ended 30 June 2008.

According to the financial statements of MPEL, Mocha Clubs generated adjusted EBITDA of approximately HK$96.5 million (US$12.4 million) for the six months ended 30 June 2008, representing an increase of 9% as compared with the corresponding period last year. In the second quarter of 2008, the number of gaming machines in operation at Mocha Clubs averaged approximately 1,070 across six locations. Average net win per gaming machine per day increased to HK$1,774 (US$228) in the second quarter of 2008 from HK$1,735 (US$223) in the same period of 2007.

(2) Share of profit of Value Convergence and its subsidiaries

Listed on the Hong Kong Stock Exchange, Value Convergence offers corporate finance advisory services as well as brokering and dealing for clients in securities, futures and options contracts. Following the restructuring of the Group in September 2007, Value Convergence has become an associate of the Group. The Group's attributable profit arising from its 43.4%-owned Value Convergence amounted to approximately HK$3.3 million for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

According to the financial statements of Value Convergence, Value Convergence recorded revenues of approximately HK$72.8 million for the six months ended 30 June 2008 (six months ended 30 June 2007: HK$133.9 million). Profit before taxation for the six months ended 30 June 2008 was approximately HK$9.8 million (six months ended 30 June 2007: HK$19.3 million). The decrease was primarily due to the softened Hong Kong stock market which had been affected by the uncertainties in global financial markets stemming from the US sub-prime mortgage crisis and the softened Mainland equity markets.

(3) Share of loss of Power Way

During the year ended 31 December 2007, the Group disposed of its interest in PAL, owned as to 60% by the Group, to Power Way, a newly incorporated company formed by the Group and other independent third parties. On the same date, after the transfer of assets to Power Way, it then disposed of the assets to Melco LottVentures, a company listed on The Stock Exchange of Hong Kong Limited, in exchange for certain shares and convertible bonds of Melco LottVentures. Thereafter, the Group holds 54.8% interest in Power Way. As the financial and operating policies of Power Way require approval of the Group together with other shareholders of Power Way pursuant to certain terms and conditions of the shareholders agreement, Power Way was accounted for as an associate of the Group effective from 13 December 2007.

The major assets of Power Way include its equity interests in and convertible bonds on Melco LottVentures. Melco LottVentures is principally engaged in various lottery-related businesses and ventures in China and other Asian countries. Through its 80%-owned PAL, Melco LottVentures manages over 500 venues in China for the Sports Lottery. PAL is also engaged in the distribution of scratch cards for the Welfare Lottery in China. Melco LottVentures has recently announced acquisition of KTeMS Co. Ltd., which holds a 14% stake in Nanum Lotto Co. Ltd., the sole off-line lotto operator in South Korea.

For the six months ended 30 June 2008, the Group's attributable loss arising from Power Way amounted to approximately HK$184.1 million (six months ended 30 June 2007: Nil), of which approximately HK$180 million was due to a write-down of the fair value of certain convertible bonds on Melco LottVentures held by Power Way. This write-down is of a non-operating and non-cash nature. In other words, the attributable operating loss (excluding non-operating and non cash items) from Power Way amounted to HK$4.1 million for the period under review.

(4) Share of loss of EGT and its subsidiaries

Listed on the American Stock Exchange, EGT is engaged in the placement of gaming machines on a revenue share model in Asia. After the completion of the disposal of warrants, EGT became an associate of the Group in December 2007. The Group's attributable loss arising from 39.8%-owned EGT amounted to approximately HK$58.6 million for the period ended 30 June 2008 (six months ended 30 June 2007: Nil).

According to the financial statements of EGT, EGT recorded revenue of approximately HK$51.3 million (US$6.6 million) for the six months ended 30 June 2008, as compared to approximately HK$52.9 million (US$6.8 million) for the six months ended 30 June 2007. Net loss was approximately HK$115.9 million (US$14.9 million) for the six months ended 30 June 2008, as compared to a net loss of approximately HK$63.8 million (US$8.2 million) for the six months ended 30 June 2007. Due to the timing of gaming machine placements, the operating results for the six months ended 30 June 2008 were not representative of the business model effected in September 2007 (whereby EGT is placing gaming machines based on a revenue sharing model in Asia).

As of 12 August 2008, a total of 14 venues and 1,262 installed units were in operation. These comprised of 5 venues in the Philippines with a total of 663 installed units, and 9 venues in Cambodia with a total of 599 installed units. Two of the venues in the Philippines are new properties opened recently in August 2008 with a total of 200 installed units in operation.

Optimization initiatives effected in the second quarter of 2008, such as slot floor reconfigurations and changes to the game mix, are leading to growth in win per day per device. Contract renegotiations for the 9 Cambodian venues were completed over the past several months resulting in a higher average revenue share percentage to EGT.

(5) Share of loss of MCR and its subsidiaries

On 27 May 2008, the shareholders of MCR Cayman, previously owned as to 45% by the Group, entered into a sale and purchase agreement with MCR and agreed to sell 100% of the equity interests in MCR Cayman. Upon completion of the transaction, MCR Cayman became a wholly-owned subsidiary of MCR.

On 28 May 2008, MCR completed the reverse take-over of VCTS by way of an amalgamation and its common shares and warrants commenced trading on the TSX on the same date. As a result, the Group's effective ownership in the associate has been changed to 49.3%.

MCR owns the largest and most exceptional portfolio of irreplaceable, existing ski resorts with the best mountains, location advantages, dominant market positions and great expansion potential. For the six months ended 30 June 2008, the loss attributable to the Group amounted to approximately HK$13.6 million (six months ended 30 June 2007: HK$2.1 million). The loss was primarily due to the seasonal impact on resort and hotel operations, of which revenue is mostly generated during the period from October to March.

IMPAIRMENT LOSS RECOGNISED IN RESPECT OF INTERESTS IN ASSOCIATES

As a result of the significant decrease in the share price of EGT, an impairment loss of approximately HK$313 million (six months ended 30 June 2007: Nil) in relation to the Group's interests in associate was recognized during the Review Period.

FAIR VALUE CHANGES IN DERIVATIVE FINANCIAL INSTRUMENTS

During the period ended 30 June 2008, a decrease in fair value regarding the warrants of EGT and MCR of approximately HK$189 million (six months ended 30 June 2007: an increase in fair value of approximately HK$212 million) and HK$2.4 million (six months ended 30 June 2007: Nil) was recognized respectively.

GAIN ON EARLY REDEMPTION OF CONVERTIBLE LOAN NOTES

During the period ended 30 June 2007, the Group exercised the early redemption option and early redeemed two convertible loan notes due on 8 November 2009 and 7 February 2010. A gain on early redemption of convertible loan notes of approximately HK$8.8 million was recognised for the six months ended 30 June 2007.

UNALLOCATED CORPORATE INCOME AND CORPORATE EXPENSES

Unallocated corporate income represented amortised financial guarantee income amounting to approximately HK$22.6 million in relation to the joint and several financial guarantee provided by the Company and Crown Limited for the exchangeable bonds issued by Melco PBL SPV in September 2007 and a gain on extension of consideration payable to Crown Limited, a shareholder of MPEL, amounting to approximately HK$2.5 million.

Unallocated corporate expenses increased from approximately HK$47.5 million for the six months ended 30 June 2007 to approximately HK$83.3 million for the six months ended 30 June 2008. The increase was primarily due to increased professional fees for business development purposes, increased equity-settled share-based payments for new grants of share options and share awards, increased depreciation charges and operating expenses as a result of the Group's rapid expansion.

FINANCE COSTS

Finance costs increased by 6.6% from approximately HK$50.6 million for the six months ended 30 June 2007 to approximately HK$53.9 million for the six months ended 30 June 2008. The increase was primarily due to the shareholder's loan raised in December 2007.

INCOME TAX EXPENSE

Income tax expense amounted to approximately HK$11,000 for the six months ended 30 June 2008 (six months ended 30 June 2007: HK$5.5 million). This was primarily due to a current tax expense of approximately HK$11,000 for the six months ended 30 June 2008 (six months ended 30 June 2007: HK$3.8 million) and none of deferred tax expense recognised for the six months ended 30 June 2008 (six months ended 30 June 2007: HK$1.7 million), full details of which are shown in Note 8 to the Condensed Consolidated Financial Information.

LIQUIDITY AND FINANCIAL RESOURCES/CAPITAL STRUCTURE/CHARGE ON GROUP ASSETS

The Group finances its business operations and investments with internal resources, cash revenues generated from operating activities, bank borrowings and shareholder's loan.

As of 30 June 2008, total assets of the Group were HK$11,980.4 million (31 December 2007: HK$12,314.2 million) which were financed by shareholders' funds of HK$9,621.3 million (31 December 2007: HK$10,319.1 million), minority interests of HK$23.0 million (31 December 2007: HK$22.4 million), current liabilities of HK$712.6 million (31 December 2007: HK$638.1 million), and non-current liabilities of HK$1,623.5 million (31 December 2007: HK$1,334.6 million). The Group's current ratio, expressed as current assets over current liabilities, was maintained at a satisfactory level of 1.8 (31 December 2007: 2.5).

During the six months ended 30 June 2008, the Group recorded a net cash inflow of HK$1.0 million (six months ended 30 June 2007: inflow of HK$237.7 million). As of 30 June 2008, cash and cash equivalents of the Group totaled HK$309.9 million (31 December 2007: HK$308.9 million). The gearing ratio, expressed as a percentage of total borrowings (including bank borrowings, convertible loan notes, long-term trade payables, consideration payable, obligations under finance lease and shareholder's loan) over shareholders' fund, was at a satisfactory level of 0.18 time as of 30 June 2008 (31 December 2007: 0.15 time). The Group adopts a prudent treasury policy. 85% of bank balances and cash are put in short-term fixed deposits. All borrowings and bank balances and cash are mainly denominated in Hong Kong dollars and U.S. dollars to maintain stable exposure to foreign exchange risks. Also, as at 30 June 2008, the Company placed a bank deposit of HK$972.5 million (equivalent to US$125 million) (31 December 2007: HK$972.5 million) for an undertaking in connection with the loan facilities obtained by MPEL.

As at 30 June 2008, the Group's total convertible loan notes amounted to HK$1,030.6 million, which was non-interest bearing and due in 2010. The Group's long-term trade payables to vendors by instalment amounted to HK$126.9 million, which were interest bearing at 5% to 12% per annum and not repayable within twelve months from the balance sheet date. The consideration payable to Crown Limited by the Group amounted to HK$169.8 million, which was unsecured, non-interest bearing and due in 2010. The Group's shareholder's loan amounted to HK$250 million, which was unsecured, interest bearing at prime rate plus 3% and repayable within twelve months from the balance sheet date. As at 30 June 2008, the Group's total available banking facilities from various banks amounted to HK$280.7 million (31 December 2007: HK$130.7 million), of which HK$49.8 million (31 December 2007: HK$49.8 million) was secured by pledging HK$85 million of the Group's investment properties, and HK$0.9 million (31 December 2007: HK$0.9 million) was secured by pledging the same amount of the Group's time deposit. As at 30 June 2008, the Group utilized HK$150 million and HK$50.7 million of unsecured and secured banking facilities respectively (31 December 2007: unsecured HK$80 million; secured HK$0.9 million). Details of bank borrowings are given in Note 17 to the Condensed Consolidated Financial Information.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

During the Review Period, the Group had entered into/completed the following acquisitions and disposals.

On 27 May 2008, the shareholders of MCR Cayman, previously owned as to 45% by the Group, entered into a sale and purchase agreement with MCR and agreed to sell 100% of the equity interests in MCR Cayman. Upon completion of the transaction, MCR Cayman became a wholly-owned subsidiary of MCR. And on 28 May 2008, MCR completed the reverse take-over of VCTS by way of an amalgamation and its common shares and warrants commenced trading on the TSX on the same date. As a result, the Group's effective ownership in the associate has been changed to 49.3% but the net assets of MCR attributable to the Group have increased.

HEADCOUNT/EMPLOYEES' INFORMATION

The total number of employees (excluding the employees of MPEL, Melco LottVentures, MCR, EGT and Value Convergence) is 420 as of 30 June 2008, as compared to the number of employees of 523 as of 31 December 2007. This is primarily because the number of employees as of 30 June 2008 excludes the employees of Value Convergence which is an associate of the Group. Among the 420 employees, 321 are located in Hong Kong and the remaining is based in Macau and the PRC. The related staff costs for the six months ended 30 June 2008, including directors' emoluments, share option expenses and share award expenses, amounted to HK$89.2 million (six months ended 30 June 2007: HK$149.7 million, of which HK$69.3 million relates to staff costs of Value Convergence). The total number of the Group's employees (including the employees of MPEL, Melco LottVentures, MCR, EGT and Value Convergence) is 7,244 as of 30 June 2008.

Melco believes that the key to success lies in its people. We strive to create an environment that makes people proud to be a "Melco person". All of our employees are given equal opportunities for advancement and personal growth. We believe only by growing our business we create opportunities and deliver value to our people. Thus, we encourage our people to offer their best at work and grow with our business. We build staff loyalty through recognition, involvement and participation.

FOREIGN EXCHANGE EXPOSURE

It is the Group's policy for its operating entities to operate in their corresponding local currencies to minimize currency risks. The Group's principal businesses are conducted and recorded in Hong Kong dollars and Macau Pataca. As the impact from foreign exchange exposure is minimal, no hedging against foreign currency exposure is necessary.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Material capital expenditure will be incurred when the Company begins to pursue different projects in the coming years. The Company expects the respective project companies to secure required funding themselves using different financing options available. The Company will also provide the required equity capital to the new projects coming ahead, should it be deemed appropriate. Details are given in Note 19 to the Condensed Consolidated Financial Information.

CONTINGENT LIABILITIES

At 30 June 2008, the Company provides a corporate guarantee of approximately HK$8,006,000 (31 December 2007: HK$8,453,000) to an insurance company in respect of the goods purchased and services provided by its subsidiary and the amount utilised is approximately HK$6,215,000 (31 December 2007: Nil).

On 5 September 2007, the Company has given an undertaking in connection with the HK$13.65 billion (US$1.75 billion) loan facilities obtained by Melco Crown Gaming (Macau) Limited ("Melco Crown Gaming", formerly known as Melco PBL Gaming (Macau) Limited), a subsidiary of MPEL. The undertaking given by the Company is to ensure that a contingent contribution of up to a maximum amount of HK$972,500,000 (US$125,000,000) will be provided, upon request of the facility agent acting on behalf of the lenders, to pay contingencies (if any) associated with the construction of the City of Dreams project of Melco Crown Gaming in the absence of other available funding for completion of the project. The Company maintains a standby letter of credit for the said maximum amount to support its contingent obligation. PBL (which was subsequently replaced by Crown Limited) has given a similar undertaking and entered into a similar arrangement in connection with the said loan facilities.

DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

OUTLOOK

With a diversified portfolio of businesses spanning from leisure, gaming and entertainment to financial services, it is inevitable that the Group's performance in the second half of the year will be susceptible to the global economic slowdown ignited by the sub-prime crisis in the US. The recent tightening of travel restrictions for Mainland Chinese travelers to visit Macau is also expected to take its toll on Macau's gaming revenue growth over the next few months.

We, however, remain optimistic on the medium and long term growth potential of China and the Asia-Pacific region. We believe the recently announced travel restrictions to Macau would be short term and will be lifted once Macau proves that its infrastructural building is back on the right track for sustainable growth again.

With most of the Group's businesses now separately listed on various stock exchanges around the world, Melco has truly become a new generation dynamic conglomerate in Asia. The Group will continue to respond to challenges brought about by changing market dynamics with well-thought-out strategies and imaginative products.

Whilst achieving the highest possible return for our shareholders remains our first priority, Melco will continue upholding the highest standards of corporate governance and social responsibility.

CORPORATE GOVERNANCE

In 2005, the Group adopted its Code on Corporate Governance (the "Company Code"), which sets out the corporate standards and practices used by the Group in directing and managing its business affairs. The Company Code was prepared with reference to the principles, Code Provisions and Recommended Best Practices stipulated in the Code on Corporate Governance Practices (the "HKSE Code") contained in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, which came into effect on 1 January 2005. The Company Code not only formalizes the Group's existing corporate governance principles and practices, but also serves to assimilate practices with benchmarks prescribed by the Hong Kong Stock Exchange, ultimately ensuring that the Group runs a highly transparent operation and is accountable to its shareholders.

The Company has complied with all provisions in the Company Code and the HKSE Code throughout the six months ended 30 June 2008, except for the following deviations:

(i) Pursuant to the code provision A.2.1 of the HKSE Code, the roles of the Chairman and Chief Executive Officer of a listed company should be separate and should not be performed by the same individual. However, in view of the present composition of the Board, the in depth knowledge of Mr. Ho, Lawrence Yau Lung of the operations of the Group and of the gaming and entertainment sector in Macau in general, his extensive business network and connections in that sector and the scope of operations of the Group, the Board believes it is in the best interests of the Company for Mr. Ho, Lawrence Yau Lung to assume the roles of Chairman and Chief Executive Officer at this time and such arrangement be subject to review by the Board from time to time.

(ii) Code provision A.4.1 of the HKSE Code provides that Non-executive Directors should be appointed for specific term, subject to re-election. The Company has deviated from this provision in that all Non-executive Directors of the Company are not appointed for specific term. They are, however, subject to retirement and re-election every three years. The reason for the deviation is that the Company does not believe that arbitrary term limits on directors' service are appropriate given that directors ought to be committed to representing the long term interests of the Company's shareholders and the retirement and re-election requirements of Non-executive Directors have given the Company's shareholders the right to approve continuation of Non-executive Directors' offices.

AUDIT COMMITTEE

An Audit Committee has been established by the Company to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee comprises a Non-executive Director and two Independent Non-executive Directors of the Company. The Audit Committee has reviewed the interim results for the six months ended 30 June 2008 and the 2008 interim report.

INDEPENDENT REVIEW

The interim results for the six months ended 30 June 2008 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants by the Company's auditor, whose independent review report will be included in the interim report.

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

During the six months ended 30 June 2008, the Company had not redeemed any of its shares and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares, except that the trustee of Share Purchase Scheme had, pursuant to the terms of the rules and trust deed of the Share Purchase Scheme, purchased on The Stock Exchange of Hong Kong Limited a total of 2,449,000 shares of the Company. The total amount paid to acquire these shares during the period was approximately HK$24,000,000.

BOARD OF DIRECTORS

As at the date hereof, the Board comprises three Executive Directors; namely Mr. Ho, Lawrence Yau Lung (Chairman and Chief Executive Officer), Mr. Tsui Che Yin, Frank and Mr. Chung Yuk Man, Clarence (Chief Operating Officer); one Non-executive Director, namely Mr. Ng Ching Wo; and three Independent Non-executive Directors, namely Sir Roger Lobo, Dr. Lo Ka Shui and Mr. Sham Sui Leung, Daniel.

By Order of the Board of
Ho, Lawrence Yau Lung
Chairman and Chief Executive Officer

Hong Kong, 28 August 2008