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Melco International Development Limited

(Incorporated in Hong Kong with limited liability)

Website: <http://www.melco-group.com>

(Stock Code: 200)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

HIGHLIGHTS

1. Net loss attributable to shareholders was HK\$2,357 million for the year ended 31 December 2008, as compared with a profit of HK\$2,691 million for the year ended 31 December 2007.
2. Basic loss per share was HK192.08 cents for the year ended 31 December 2008, against basic earnings per share of HK219.06 cents for the year ended 31 December 2007.
3. Net asset value per share attributable to shareholders decreased by 23.3% to HK\$6.44 as of 31 December 2008, as compared with HK\$8.40 as of 31 December 2007.
4. Performance of the Group's gaming business in Macau, operated through 37.8%-owned Melco Crown Entertainment Ltd ("MPEL"), improved substantially. MPEL delivered an attributable profit to the Group of approximately HK\$33.1 million in FY2008 versus an attributable loss of approximately HK\$525.6 million in FY2007.
5. Adjusted EBITDA of MPEL amounted to approximately US\$156.7 million in FY2008, versus a negative adjusted EBITDA of approximately US\$24.6 million in FY2007.
6. Crown Macau consistently ranked among the top 2 casinos in Macau in terms of VIP gaming revenue in 2008.
7. City of Dreams, the flagship property of MPEL, is scheduled to open in early June 2009.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	<i>Notes</i>	2008 HK\$'000	2007 HK\$'000
Continuing operations			
Revenue	4	690,862	804,895
Agency fee		–	1,232,057
Other income		68,696	34,139
Investment (loss) income		(244)	2,840
Purchases and changes in inventories of finished goods		(677,532)	(531,867)
Employee benefits expense		(169,465)	(180,983)
Depreciation of property, plant and equipment		(21,738)	(19,252)
Loss on deemed disposal of subsidiaries		–	(143,368)
Loss on deemed disposal of partial interests in subsidiaries		–	(76,948)
Impairment loss recognised in respect of interests in associates	5	(1,160,838)	–
Impairment loss recognised in respect of available-for-sale investments		(147,861)	–
Gain on disposal of interests in jointly controlled entities	9	–	532,604
Gain on changes in interests in associates	10	48,466	1,549,361
Increase in fair value of investment properties		14,000	10,060
Fair value changes on derivative financial instruments	13	(227,691)	190,126
Fair value change on investment in convertible loan note	11	(206,428)	–
Other expenses		(179,605)	(155,142)
Finance costs		(107,401)	(76,235)
Share of profits (losses) of jointly controlled entities	9	109,108	(157,713)
Share of losses of associates	10	(387,175)	(519,538)
Gain on extension of long term payable		2,517	9,656
Gain on early redemption of convertible loan notes		–	8,827
		<hr/>	<hr/>
(Loss) profit before tax		(2,352,329)	2,513,519
Income tax (expense) credit	6	(885)	69
		<hr/>	<hr/>
(Loss) profit for the year from continuing operations		(2,353,214)	2,513,588

	<i>Notes</i>	2008 HK\$'000	2007 HK\$'000
Discontinued operation			
Profit for the year from discontinued operation		–	155,075
(Loss) profit for the year		<u>(2,353,214)</u>	<u>2,668,663</u>
Attributable to:			
Equity holders of the Company		(2,356,819)	2,690,639
Minority interests		3,605	(21,976)
		<u>(2,353,214)</u>	<u>2,668,663</u>
Dividends	7	<u>12,271</u>	<u>12,282</u>
(Loss) earnings per share	8		
For continuing and discontinued operations			
Basic		<u>(HK192.08 cents)</u>	<u>HK219.06 cents</u>
Diluted		<u>(HK192.09 cents)</u>	<u>HK198.38 cents</u>
For continuing operations			
Basic		<u>(HK192.08 cents)</u>	<u>HK207.56 cents</u>
Diluted		<u>(HK192.09 cents)</u>	<u>HK188.23 cents</u>

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2008

	<i>Notes</i>	2008 HK\$'000	2007 <i>HK\$'000</i>
Non-current assets			
Investment properties		166,000	152,000
Property, plant and equipment		42,977	59,636
Other intangible assets		2,000	2,000
Interests in jointly controlled entities	9	190,227	81,119
Interests in associates	10	7,126,710	8,689,271
Amounts due from associates	14	800,673	578,578
Available-for-sale investments		39,093	156,337
Investment in convertible loan note	11	168,573	–
Goodwill		8,555	8,555
Pledged bank deposits	15	972,500	972,500
Deferred tax assets		719	1,592
		<hr/> 9,518,027	<hr/> 10,701,588
Current assets			
Inventories		57,652	25,764
Trade receivables	12	55,690	259,705
Prepayments, deposits and other receivables		232,534	110,497
Held-for-trading investments		150	430
Derivative financial instruments	13	64	223,626
Amounts due from associates	14	130,555	682,757
Pledged bank deposits	15	6,738	947
Bank deposits with original maturity over three months		164,896	–
Bank balances and cash		239,875	308,865
		<hr/> 888,154	<hr/> 1,612,591
Current liabilities			
Trade payables	16	309,664	162,529
Other payables		124,095	96,480
Shareholder's loan		250,000	250,000
Dividend payable		133	118
Taxation payable		689	3,726
Financial guarantee liability		45,217	45,217
Bank borrowings – due within one year	17	96,400	80,000
		<hr/> 826,198	<hr/> 638,070
Net current assets		<hr/> 61,956	<hr/> 974,521
Total assets less liabilities		<hr/> 9,579,983	<hr/> 11,676,109

	<i>Notes</i>	2008 HK\$'000	2007 HK\$'000
Non-current liabilities			
Trade payables – due after one year	16	81,678	–
Financial guarantee liability		121,808	167,025
Bank borrowings – due after one year	17	216,600	–
Long term payable		172,496	168,142
Convertible loan note – due after one year		1,061,861	999,399
		<u>1,654,443</u>	<u>1,334,566</u>
		<u>7,925,540</u>	<u>10,341,543</u>
Capital and reserves			
Share capital		614,666	614,238
Reserves		7,284,839	9,704,875
		<u>7,899,505</u>	<u>10,319,113</u>
Equity attributable to equity holders of the Company		26,035	22,430
Minority interests		<u>7,925,540</u>	<u>10,341,543</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office and principal place of business of the Company are 38th Floor, The Centrium, 60 Wyndham Street, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The principal activities of the Company and its subsidiaries (the “Group”) are divided into three divisions, namely (i) Leisure, Gaming and Entertainment division; (ii) Technology division; and (iii) Property and Other Investments division. In prior years, the Group was also engaged in the Investment and Financial Services. That operation was discontinued in year 2007.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible hedged items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments ²
HKFRS 8	Operating Segments ²
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives ⁴
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁵
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁶
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ³
HK(IFRIC) – Int 18	Transfers of Assets from Customers ⁷

¹ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 January 2009

³ Effective for annual periods beginning on or after 1 July 2009

⁴ Effective for annual periods ending or after 30 June 2009

⁵ Effective for annual periods beginning on or after 1 July 2008

⁶ Effective for annual periods beginning on or after 1 October 2008

⁷ Effective for transfers on or after 1 July 2009

The application 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. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Group is currently organised into three operating divisions including Leisure, Gaming and Entertainment, Technology, and Property and Other Investments.

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

The Technology segment mainly comprises (a) designs, development and supply of gaming technologies, including surveillance equipment and other gaming products used in casinos and (b) development and sale of financial trading and settlement systems in other Asian regions.

The Property and Other Investments segment mainly comprises property investments and other investments.

The Investment and Financial Services segment was operated through a non-wholly owned subsidiary of the Company, Value Convergence Holdings Limited (“VC”), which mainly comprised (a) provision of corporate finance advisory service, initial public offerings and mergers and acquisition advisory services and (b) broking and dealing for clients in securities, futures and options contracts. VC was deemed disposed of during 2007. The Investment and Financial Services segment was thus discontinued during the year ended 31 December 2007.

2008

	Leisure, Gaming and Entertainment	Technology	Property and Other Investments	Elimination	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
External sales	103,260	512,832	74,770	-	690,862
Inter-segment sales	1,342	189	1,811	(3,342)	-
Total revenue	<u>104,602</u>	<u>513,021</u>	<u>76,581</u>	<u>(3,342)</u>	<u>690,862</u>
Segment result	<u>2,879</u>	<u>(251,869)</u>	<u>88,065</u>	<u>(7)</u>	<u>(160,932)</u>
Gain on changes in interests in associates					48,466
Fair value changes on derivative financial instruments					(227,691)
Fair value change on investment in convertible loan note					(206,428)
Finance costs					(107,401)
Share of profits of jointly controlled entities	109,108	-	-	-	109,108
Share of losses of associates					
– Allocated	(390,465)	-	-	-	(390,465)
– Unallocated					3,290
Impairment loss recognised in respect of interests in associates	(1,160,838)	-	-	-	(1,160,838)
Impairment loss recognised in respect of available-for-sale investments					(147,861)
Gain on extension of long term payable					2,517
Unallocated corporate income					45,217
Unallocated corporate expenses					(159,311)
Loss before tax					(2,352,329)
Income tax expense					(885)
Loss for the year					<u>(2,353,214)</u>

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

2008

	Leisure, Gaming and Entertainment	Technology	Property and Other Investments	Unallocated	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
BALANCE SHEET					
Assets					
Segment assets	44,559	417,886	617,184	–	1,079,629
Interests in jointly controlled entities	190,227	–	–	–	190,227
Interests in associates	6,860,831	–	–	265,879	7,126,710
Unallocated corporate assets					2,009,615
					<u>2,009,615</u>
Consolidated total assets					<u>10,406,181</u>
Liabilities					
Segment liabilities	14,424	484,948	690	–	500,062
Unallocated corporate liabilities					1,980,579
					<u>1,980,579</u>
Consolidated total liabilities					<u>2,480,641</u>
OTHER INFORMATION					
Capital additions	2,232	14,307	–	3,232	19,771
Depreciation	5,395	3,654	–	12,689	21,738
Loss (gain) on disposal of property, plant and equipment	14	(137)	42	–	(81)
Allowance for doubtful debts	–	6,222	–	–	6,222
Allowance for inventories	–	220,030	–	–	220,030
	<u>–</u>	<u>220,030</u>	<u>–</u>	<u>–</u>	<u>220,030</u>

2007

	Continuing operations					Discontinued operation			Total Consolidated
	Leisure, Gaming and Entertainment HK\$'000	Technology HK\$'000	Property and Other Investments HK\$'000	Elimination HK\$'000	Total HK\$'000	Investment and Financial Services HK\$'000	Elimination HK\$'000	HK\$'000	
External sales	125,573	573,496	105,826	-	804,895	210,626	-	210,626	1,015,521
Inter-segment sales	1,150	2,178	10,946	(14,274)	-	483	(483)	-	-
Total revenue	<u>126,723</u>	<u>575,674</u>	<u>116,772</u>	<u>(14,274)</u>	<u>804,895</u>	<u>211,109</u>	<u>(483)</u>	<u>210,626</u>	<u>1,015,521</u>
Segment result	<u>(74,229)</u>	<u>23,282</u>	<u>118,884</u>	<u>(296)</u>	<u>67,641</u>	<u>69,023</u>	<u>(483)</u>	<u>68,540</u>	<u>136,181</u>
Agency fee income					1,232,057			-	1,232,057
(Loss) gain on deemed disposal of partial interests in subsidiaries					(76,948)			37,194	(39,754)
(Loss) gain on deemed disposals of subsidiaries					(143,368)			78,080	(65,288)
Gain on disposal of interests in jointly controlled entities					532,604			-	532,604
Gain on changes in interests in associates					1,549,361			-	1,549,361
Fair value changes on derivative financial instruments					190,126			-	190,126
Finance costs					(76,235)			(19,862)	(96,097)
Share of losses of jointly controlled entities	(157,713)	-	-	-	(157,713)			-	(157,713)
Share of losses of associates									
- Allocated	(527,468)	-	-	-	(527,468)			-	(527,468)
- Unallocated					7,930			-	7,930
Gain on extension of long term payable					9,656			-	9,656
Gain on early redemption of convertible loan notes					8,827			-	8,827
Cost of agency service					(14,551)			-	(14,551)
Unallocated corporate income					13,562			-	13,562
Unallocated corporate expenses					(101,962)			-	(101,962)
Profit before tax					<u>2,513,519</u>			<u>163,952</u>	<u>2,677,471</u>
Income tax credit (expense)					<u>69</u>			<u>(8,877)</u>	<u>(8,808)</u>
Profit for the year					<u>2,513,588</u>			<u>155,075</u>	<u>2,668,663</u>

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

2007

	Leisure, Gaming and Entertainment	Technology	Property and Other Investments	Unallocated	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
BALANCE SHEET					
Assets					
Segment assets	47,340	396,698	842,322	–	1,286,360
Interests in jointly controlled entities	81,119	–	–	–	81,119
Interests in associates	8,426,030	–	–	263,241	8,689,271
Unallocated corporate assets					2,257,429
					<u>12,314,179</u>
Consolidated total assets					
					<u><u>12,314,179</u></u>
Liabilities					
Segment liabilities	15,974	227,203	404	–	243,581
Unallocated corporate liabilities					1,729,055
					<u>1,972,636</u>
Consolidated total liabilities					
					<u><u>1,972,636</u></u>

2007

	Continuing operations				Discontinued operation	
	Leisure, Gaming and Entertainment	Technology	Property and Other Investments	Total	Investment and Financial Services	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
OTHER INFORMATION						
Capital additions (<i>Note</i>)	151,359	5,816	20,284	177,459	1,715	179,174
Depreciation	11,039	2,364	5,849	19,252	1,129	20,381
Amortisation of trading rights	–	–	–	–	364	364
Loss on disposal of property, plant and equipment	140	9	172	321	1	322
Allowance for doubtful debts	1,095	1,212	–	2,307	88	2,395
	<u>1,095</u>	<u>1,212</u>	<u>–</u>	<u>2,307</u>	<u>88</u>	<u>2,395</u>

Note: Apart from the capital additions disclosed above, the Group acquired Elixir Gaming Technologies, Inc. (“EGT”) with goodwill of approximately HK\$1,464,150,000, intangible assets of approximately HK\$43,787,000 and property, plant and equipment of approximately HK\$199,584,000 during 2007.

(b) **Geographical segments**

The Leisure, Gaming and Entertainment, Technology and Property and Other Investments divisions are operated in Hong Kong and Macau.

The following is an analysis of the Group's revenue by geographical market based on geographical location of customers, irrespective of the origin of the goods or services.

	2008	2007
	HK\$'000	HK\$'000
Hong Kong	224,059	460,432
Macau	466,780	483,814
Other Asian countries	23	71,275
	690,862	1,015,521

Revenue from the Group's discontinued operation for 2007 was derived from Hong Kong.

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment analysed by the geographical area in which the assets are located:

	Carrying		Additions to property,	
	amount of		plant and equipment	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	629,468	961,695	7,464	33,319
Macau	429,497	300,628	11,768	1,349
Other Asian countries	20,664	24,037	539	144,506
	1,079,629	1,286,360	19,771	179,174

5. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF INTERESTS IN ASSOCIATES

During the year ended 31 December 2008, the Group performed an impairment assessment on its interests in associates with reference to the recoverable amount and recognised an impairment loss of approximately HK\$1,160,838,000 in relation to its interests in associates – EGT and Melco China Resorts (Holding) Limited ("MCR BC"). MCR BC is a company having its shares listed on TSX Venture Exchange in Toronto, Canada and the recoverable amounts of EGT and MCR BC have been determined based on the quoted bid prices of the shares of EGT and MCR BC as at 31 December 2008. The recoverable amount of interests in EGT and MCR BC was approximately HK\$57,268,000 in aggregate.

6. INCOME TAX (EXPENSE) CREDIT

	Continuing operations		Discontinued operation		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax:						
– Hong Kong	-	-	-	(7,196)	-	(7,196)
– Other jurisdictions	-	(1,473)	-	-	-	(1,473)
	-	(1,473)	-	(7,196)	-	(8,669)
Underprovision in prior years:						
– Hong Kong	-	(50)	-	-	-	(50)
– Other jurisdictions	(12)	-	-	-	(12)	-
Deferred taxation:						
– Current year	(782)	1,592	-	(1,681)	(782)	(89)
– Attributable to a change in tax rate	(91)	-	-	-	(91)	-
	(885)	69	-	(8,877)	(885)	(8,808)

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) on the estimated assessable profit for the year. The opening balance deferred tax assets and liabilities are adjusted to account for the decrease in the tax rate.

No provision for Hong Kong Profits Tax for the year ended 31 December 2008 is made as there is no estimated assessable profit derived from Hong Kong. Taxation arising in other jurisdictions are calculated at the rate prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the (loss) profit before tax per consolidated income statement as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
(Loss) profit before tax:		
Continuing operations	(2,352,329)	2,513,519
Discontinued operation	–	163,952
	<u>(2,352,329)</u>	<u>2,677,471</u>
Tax at Hong Kong Profits Tax rate of 16.5% (2007: 17.5%)	(388,134)	468,557
Tax effect of share of results of associates and jointly controlled entities	45,881	118,519
Tax effect of expenses not deductible for tax purposes	353,294	63,280
Tax effect of income not taxable for tax purposes	(29,140)	(650,285)
Underprovision in respect of prior years, net	12	50
Tax effect of different tax rates of the subsidiaries operating in other jurisdictions	–	(1,574)
Tax effect of unrecognised deferred tax assets	22,849	14,388
Utilisation of tax losses previously not recognised	(3,968)	(4,008)
Decrease in opening deferred tax balance resulting from a decrease in applicable tax rate	91	–
Others	–	(119)
	<u>885</u>	<u>8,808</u>

7. DIVIDENDS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2007 final dividend: HK1 cent (2007: 2006 final dividend of HK1 cent) per share	12,271	12,282

The dividends for shares held under the share purchase scheme are eliminated from the final dividend for 2007.

Note: The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2008.

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the following data:

	Continuing and discontinued operations		Continuing operations	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
(Loss) earnings				
(Loss) earnings for the purpose of basic (loss) earnings per share ((loss) profit for the year attributable to equity holders of the Company)	(2,356,819)	2,690,639	(2,356,819)	2,549,313
Effect of dilutive potential ordinary shares:				
Interest on convertible loan notes	-	62,382	-	62,382
Adjustment to the share of results of associates (2007: a subsidiary) based on potential dilution of their (loss) earnings per share	(111)	(475)	(111)	-
(Loss) earnings for the purpose of diluted (loss) earnings per share	(2,356,930)	2,752,546	(2,356,930)	2,611,695
	2008	2007	2008	2007
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	1,226,994	1,228,241	1,226,994	1,228,241
Effect of dilutive potential ordinary shares:				
Share options	-	9,978	-	9,978
Convertible loan notes	-	149,306	-	149,306
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	1,226,994	1,387,525	1,226,994	1,387,525

The number of shares adopted in the calculation of the basic (loss) earnings per share has been arrived at after eliminating the shares of the Company held under the Company's share award schemes. The computation of diluted loss per share for the year ended 31 December 2008 does not assume the conversion of the Company's outstanding convertible loan notes, the effect of share option, unvested awarded shares under the Company's share incentive schemes since their exercise would result in a decrease in loss per share.

From discontinued operation

Basic earnings per share for the discontinued operation is HK\$0.115 per share and diluted earnings per share for the discontinued operation is HK\$0.102 per share for the year ended 31 December 2007, based on the profit for the year from the discontinued operation attributable to equity holders of the Company of HK\$141,326,000 adjusted by share of result of a subsidiary based on potential dilution of its earnings per share of HK\$475,000 and the denominators detailed above for both basic and diluted earnings per share.

9. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Cost of unlisted investments in jointly controlled entities	225,706	225,706
Share of post-acquisition losses	(35,479)	(144,587)
	190,227	81,119

As at 31 December 2008 and 2007, the Group had interest in the following principal jointly controlled entity:

Name	Place of incorporation/ operation	Class shares held	Percentage of interest in ownership	Principal activities
Melco Crown SPV Limited ("Melco Crown SPV" and formerly known as Melco PBL SPV Limited)	Cayman Islands/ Hong Kong	Ordinary shares	50%	Issuer of an exchangeable bond which is convertible into shares of an associate of the Group

The above table list out the jointly controlled entity of the Group which in the opinion of the directors of the Company, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other jointly controlled entities would, in the opinion of directors of the Company, result in particulars of excessive length.

As at 31 December 2008 and 2007, the Group's interests in jointly controlled entities are principally represented by interest in Melco Crown SPV. Melco Crown SPV is a joint venture for the issuance of exchangeable bonds ("Exchange Bonds") which can be convertible to shares of Melco Crown Entertainment Limited ("Melco Crown Entertainment"). The income of the jointly controlled entities attributable to the Group's interests includes an amount of approximately HK\$270,115,000 representing fair value gain on revaluation of these Exchangeable Bonds, which are designated as financial liability at fair value through profit or loss .

During the year ended 31 December 2007, the Group disposed of its interest in a jointly controlled entity, PAL Development Limited (“PAL”), to Power Way Group Limited (“Power Way”), which is formed by the Group and certain independent third parties (collectively referred as “Shareholders”). On the same date, after the transfer of the interest in PAL and certain subsidiaries (collectively the “Assets”) from the Shareholders to Power Way, Power Way then disposed of the Assets to MelcoLot Limited (formerly known as Melco LottVentures Limited and Wafer Systems Limited), a company independent from the Shareholders, in exchange for MelcoLot Limited’s certain shares and convertible loan note. Power Way then becomes an associate of the Company. As a result of the disposal, the difference between carrying amount of the Group’s interest in PAL of approximately HK\$104,775,000 and the Group’s relevant interest in the aggregate fair value of the assets held by Power Way of approximately HK\$637,379,000 amounting to approximately HK\$532,604,000 was recognised as a gain on disposal of interests in jointly controlled entities during the year ended 31 December 2007 (subsequent change in shareholding of MelcoLot Limited’s shares during the year ended 31 December 2008 are disclosed in notes 10 and 11). The fair value of the MelcoLot Limited’s shares and convertible loan note held by Power Way were determined with reference to the market price of MelcoLot Limited’s shares and by using binomial model, respectively.

The summarised unaudited financial information in respect of the Group’s jointly controlled entities attributable to the Group’s interests therein is set out below:

	2008 <i>HK\$’000</i>	2007 <i>HK\$’000</i>
Current assets	856,156	971,770
Non-current assets	121,809	167,025
Current liabilities	(13)	(83)
Non-current liabilities	(787,725)	(1,057,593)
Income	295,353	16,228
Expense	186,245	173,941

10. INTERESTS IN ASSOCIATES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Cost of investment in associates		
Listed in the United States of America (“US”)	6,794,183	6,795,754
Listed in Canada	339,601	–
Listed in Hong Kong	279,698	255,641
Unlisted	294,868	637,380
Gain on changes in interests in associates	1,597,827	1,549,361
Impairment losses recognised	(1,160,838)	–
Share of exchange and hedging reserves	(111,916)	(29,327)
Share of post-acquisition results	(906,713)	(519,538)
	<u>7,126,710</u>	<u>8,689,271</u>
Fair value of listed investments (<i>note a</i>)	<u>4,249,846</u>	<u>16,521,660</u>
Carrying amount of interests in associates with shares listed on respective stock exchanges	<u>7,078,723</u>	<u>8,051,353</u>

As at the balance sheet date, the Group had interests in the following principal associates:

Name	Place of incorporation/ operation	Class shares held	Percentage of interest in ownership		Principal activities
			2008	2007	
Melco Crown Entertainment (Note b)	Cayman Islands/ Macau	Ordinary shares	37.83%	37.85%	Operating of electronic gaming machine lounges, casino games of chance and other casino games and hotel business
VC (Note b)	Hong Kong/ Hong Kong	Ordinary shares	43.36%	43.50%	Provision of financial and investment services
Melco China Resort Investment Limited ("MCR")	Cayman Islands/ People's Republic of China ("PRC")	Ordinary shares	-	45%	Operating of ski resorts
MCR BC (Note b)	Canada/PRC	Ordinary shares	49.30%	-	Operating of ski resorts
MelcoLot Limited (Note b and d)	Cayman Islands/ PRC	Ordinary shares	10.41%	-	Lottery business management services and provision of network system integration solutions
Power Way (Note c)	British Virgin Islands/Hong Kong	Ordinary shares	58.70%	54.79%	Inactive after distribution as disclosed in note 11
EGT (Note b)	US/Philippines and Cambodia	Ordinary shares	39.84%	39.86%	Provision of electronic gaming machines to gaming operators

Notes:

- (a) Fair values of listed investments are determined at the market price of listed shares as of year end on respective stock exchange.
- (b) The American Depositary Shares of Melco Crown Entertainment are listed on the National Association of Securities Dealers Automated Quotations ("NASDAQ"). The shares of MCR BC are listed on TSX Venture Exchange. The shares of VC are listed on the Stock Exchange. The shares of MelcoLot Limited are listed on the Growth Enterprise Market of the Stock Exchange. The shares of EGT are listed on American Stock Exchange.
- (c) The Group holds 58.7% (2007: 54.79%) interest in Power Way. Pursuant to certain terms and conditions in the shareholders agreement, the financial and operating policies of Power Way require approval of the Group together with certain other shareholders of Power Way, as such, it is accounted for as an associate.
- (d) In addition to the ordinary shares of MelcoLot Limited held by the Group, the Group also holds investment in the convertible loan note issued by MelcoLot Limited (see note 11). The Group's effective interest in MelcoLot Limited would be increased to 31.5% on a fully-diluted basis if all outstanding convertible loan notes issued by MelcoLot Limited were fully converted. The Group is the single largest shareholder of MelcoLot Limited and one of the key management personnel of a subsidiary of the Company is also a director of MelcoLot Limited. As such, the directors of the Company believe that the Group has significant influence over MelcoLot Limited after taking into account the potential voting right from the Group's investment in MelcoLot Limited's convertible loan note.

The above table lists the associates of the Group which, in the opinion of the directors of the Company, principally affected the results of the year or form a substantial portion of the net assets of the group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

As at 31 December 2007, included in the cost of investment in associates is goodwill of approximately HK\$738,099,000 arising on acquisition of a subsidiary, EGT, which became an associate of the Group. During the year ended 31 December 2008, the goodwill related to EGT of approximately HK\$738,099,000 was fully impaired.

- (a) During the year ended 31 December 2008, the Group and its associate, 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 TSX Venture Exchange, including:
- i) 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%;
 - ii) 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 share 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;
 - iii) 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
 - iv) MCR BC then completed the amalgamation (“Amalgamation”) with VCTS and MCR BC 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 increases and a gain of approximately HK\$54,370,000 was thus recognised.

- (b) During the year ended 31 December 2008, the Group's ownership interest in Melco Crown Entertainment decreased from 37.85% to 37.83% resulting from the vesting of certain restricted shares issued by Melco Crown Entertainment. As a result, the Group therefore recognised a loss of approximately HK\$3,136,000 which represents the decrease in net assets attributable to the Group.
- (c) During the year ended 31 December 2008, the Group's ownership interest in VC decreased from 43.50% to 43.36% resulting from the exercise of certain share options of VC by the option holders. As a result, the Group recognised a loss of approximately HK\$514,000 which represents the decrease in net assets of VC attributable to the Group during the year ended 31 December 2008.
- (d) As disclosed in note 11, MelcoLot Limited became the Group's associate after the distribution by Power Way. During the year ended 31 December 2008, the Group's ownership interest in MelcoLot Limited decreased from 11.03% to 10.41% resulting from the issuance of shares by MelcoLot Limited. As a result, the Group therefore recognised a loss of approximately HK\$2,254,000 which represents the decrease in net assets attributable to the Group.
- (e) In January 2007, the underwriters of the global offering of American Depositary Shares ("ADSs") of the associate, Melco Crown Entertainment, fully exercised the over allotment option granted to them. The exercise in full of the over allotment option resulted in the issuance by Melco Crown Entertainment of an additional 9,037,500 ADSs, representing 27,112,500 ordinary shares. In addition, Melco Crown Entertainment completed a second offering of 37,500,000 ADSs, representing 112,500,000 ordinary shares in November 2007. The Group's interest in Melco Crown Entertainment is therefore decreased from 42.34% to 37.85% and a gain on deemed disposal of partial interests in associates of approximately HK\$1,549,361,000 was therefore recognised during the year ended 31 December 2007 which represents the increase in net assets attributable to the Group.

The summarised financial information in respect of the Group's associate is set out below:

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	38,356,518	31,090,150
Total liabilities	(18,599,332)	(10,736,463)
Net assets	19,757,186	20,353,687
Group's share of net assets of associates	7,549,449	7,951,172
Less: Impairment loss	(422,739)	–
	7,126,710	7,951,172
Revenue	11,501,320	3,119,618
Loss for the year	(1,009,928)	(1,244,840)
Group's share of losses of associates for the year	(387,175)	(519,538)

11. INVESTMENT IN CONVERTIBLE LOAN NOTE

The investment in convertible loan note is designated as fair value through profit or loss as the convertible loan note contains embedded derivatives. As discussed in note 9, the Group's associate, Power Way, held certain MelcoLot Limited's shares and convertible loan note as at 31 December 2007. In September 2008, Power Way distributed all MelcoLot Limited's shares and convertible loan note to its shareholders in proportion to the shareholding of each shareholder. MelcoLot Limited then becomes a direct associate of the Group and the fair value of MelcoLot Limited's convertible loan note at the date of distribution of approximately HK\$375,001,000, which is determined using binomial model, is recognised as the deemed cost of Group's investment in convertible loan note of MelcoLot Limited.

During the year ended 31 December 2008, a decrease in fair value of approximately HK\$206,428,000 regarding the MelcoLot Limited's convertible loan note was recognised in the consolidated income statement, which represents the fair value change of the MelcoLot Limited's convertible loan note from the date that MelcoLot Limited becomes an associate to 31 December 2008. The significant decrease in fair value of the MelcoLot Limited's convertible loan note is as a result of the decrease in share price of MelcoLot Limited. As at 31 December 2008, the fair value of the MelcoLot Limited's convertible loan note of approximately HK\$168,573,000 is determined using binomial model and the inputs into the model by an independent valuer not connected to the Group were as follows:

	At date of distribution	2008
Expected volatility	78.99%	87.22%
Risk free interest rate	2.41%	1.05%
Dividend	Nil	Nil
Borrowing rate	18.25%	31.36%

The MelcoLot Limited's convertible loan note with a principal amount of HK\$356.2 million can be converted into ordinary shares of MelcoLot Limited at a conversion price of HK\$0.85 per ordinary share, subject to anti-dilutive adjustment, any time for a period of five years from date of issuance. The MelcoLot Limited's convertible loan note carries interest of 0.1% per annum and is subject to certain limitations on conversion and is redeemable at par at maturity date.

12. TRADE RECEIVABLES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade receivables (<i>Notes a & b</i>)	63,192	263,015
Allowance for doubtful receivables	(7,502)	(3,310)
	<u>55,690</u>	<u>259,705</u>

The aged analysis of trade receivables net of allowance for doubtful debts is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within 30 days	15,901	200,792
31 – 90 days	12,299	7,665
Over 90 days	27,490	51,248
	<u>55,690</u>	<u>259,705</u>

Notes:

- (a) The Group's Leisure, Gaming and Entertainment segment and Property and Other Investments segment are largely operated on cash on delivery or payment in advance terms, except for those well-established customers to whom credit terms of 30 to 120 days would be granted.
- (b) 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 to 90 days on average to its customers.

Before accepting any new customer, the Group assesses the potential customer's credit quality by respective sales team and defines credit limit by customer. All trade receivables that are neither past due nor impaired have the best credit quality attributable to the credit assessment system used by the Group. Included in the Group's trade receivables balance are debtors with a carrying amount of HK\$43,595,000 (2007: HK\$66,491,000) which are past due over their credit terms for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within 30 days	3,806	8,786
31-90 days	12,299	7,540
Over 90 days	27,490	50,165
	<hr/>	<hr/>
Total	43,595	66,491
	<hr/> <hr/>	<hr/> <hr/>

The Group performed assessment on individual trade receivable balance and recognised allowance on specific balance.

Movement in the allowance for doubtful debts

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Balance at the beginning of the year	3,310	9,700
Impairment recognised	6,222	2,395
Amounts written off as uncollectible	(2,030)	–
Disposal of a subsidiary	–	(8,785)
	<hr/>	<hr/>
Balance at the end of the year	7,502	3,310
	<hr/> <hr/>	<hr/> <hr/>

13. DERIVATIVE FINANCIAL INSTRUMENTS

As a result of a series of transactions with EGT, the Group subscribed certain warrants issued by EGT which are recognised as derivative financial instruments. As at 31 December 2008, the Group had 10,000,000 (2007: 10,000,000) warrants outstanding issued by EGT. These outstanding warrants have exercise price ranged from US\$1.00 to US\$3.50 which are exercisable until 31 December 2010. As at 31 December 2008, fair value of the EGT warrants amounted to approximately Nil (2007: HK\$223,626,000) and was recognised as derivative asset in the consolidated balance sheet.

In addition, the Group subscribed 1,000,000 warrants, after consolidation on a 10 to 1 basis, issued by MCR BC (note 10(a)). These warrants have exercise price of CAD4 which are exercisable until May 2010. As at 31 December 2008, the fair value of the MCR BC warrants amounted to approximately HK\$64,000 (2007: Nil) and was recognised as derivative financial assets in the consolidated balance sheet. The fair value of the MCR BC warrants was determined with reference to the quoted bid price at 31 December 2008.

The fair value of the EGT warrants at 31 December 2007 and 31 December 2008 were calculated using the binominal model carried out on that date by Sallmanns (Far East) Limited, independent qualified professional valuers not connected with the Group. The inputs into the model were as follows:

	2008	2007
Share price	HK\$1.01 (US\$0.13)	HK\$33.45 (US\$4.30)
Expected volatility	76.72%	53%
Risk-free rate	0.77%	3.29%
Dividend yield	Nil	Nil

During the year ended 31 December 2008, a decrease in fair value of approximately HK\$227,691,000 regarding the derivative financial instruments, which represents the decrease in fair value of the EGT warrants of HK\$223,626,000 and decrease in fair value of MCR BC warrants of approximately HK\$4,065,000.

During the year ended 31 December 2007, an increase in fair value of approximately HK\$190,126,000 regarding the EGT warrants was recognised in the consolidated income statement, which represented the fair value change of the EGT warrants from date of purchase to the date that EGT became subsidiary plus the fair value change of EGT warrants from the date that EGT became an associate to the year ended 31 December 2007.

14. AMOUNTS DUE FROM ASSOCIATES

Included in amounts due from associates are:

- i) amount due from an associate of approximately HK\$578,578,000 (2007: HK\$578,578,000) which is unsecured, interest bearing at HIBOR plus 1.5% (2007: HIBOR rate) per annum and not repayable within twelve months from the balance sheet date. This associate continues to expand its gaming business in Macau and the Group considers no impairment on the amount due from this associate;
- ii) amount due from an associate of approximately HK\$173,976,000 (2007: Nil) which is unsecured and repayable on 31 March 2010. Approximately HK\$93,773,000 out of the HK\$173,976,000 is interest bearing at 3-month London Interbank Offered Rate ("LIBOR") plus 3% per annum and the remaining HK\$80,203,000 is non-interest bearing such that a deemed capital contribution of approximately HK\$5,770,000 has been recognised using interest rate at LIBOR plus 3% per annum. This associate has reviewed the financial position and the bank facilities available to this associate and considers no impairment on the amount due from this associate;
- iii) amount due from an associate of approximately HK\$93,898,000 (2007: Nil) which is unsecured and interest bearing at 5% per annum. Approximately HK\$45,779,000 out of the HK\$93,898,000 is repayable within twelve months from the balance sheet date and the remaining HK\$48,119,000 is repayable after twelve months from the balance sheet date. This associate has continued to settle the balance by installments and the Group considers no impairment on the amounts due from this associate; and
- iv) amount of approximately HK\$41,900,000 (2007: HK\$241,900,000) which is unsecured, interest bearing at HIBOR plus 1.25% to 2% per annum and repayable upon written notice given from the Company. Continuous settlement from this associate has been received and the Group considers no impairment on the amount due from this associate.

The remaining amounts due from associates are unsecured, non-interest bearing and repayable on demand.

15. PLEDGE OF ASSETS

At 31 December 2008, the Group pledged certain of its investment properties and bank deposits for the following purposes:

- (a) The Group's bank deposit and investment properties amounting to approximately HK\$947,000 and HK\$166,000,000 were pledged for obtaining the banking facilities for certain subsidiaries of the Group (2007: HK\$947,000 and HK\$85,000,000).
- (b) The Group's bank deposits of approximately HK\$5,791,000 (2007: Nil) were pledged to a bank for the completion of a sale agreement with a customer.
- (c) the Group placed a bank deposit of HK\$972,500,000 (equivalent to US\$125,000,000) (2007: HK\$972,500,000, equivalent to US\$125,000,000) for an undertaking in connection with the loan facilities obtained by Melco Crown Entertainment (see note 18).

The deposits carry fixed interest rate of about 3.0% (2007: 3.2%) per annum.

16. TRADE PAYABLES

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within 30 days	132,973	125,781
31-90 days	19,857	3,406
Over 90 days	40,356	33,342
	<hr/>	<hr/>
	193,186	162,529
Trade payable by instalment (<i>note</i>)	198,156	–
	<hr/>	<hr/>
	391,342	162,529
	<hr/> <hr/>	<hr/> <hr/>
Analysed as:		
Current liabilities	309,664	162,529
Non-current liabilities (<i>note</i>)	81,678	–
	<hr/>	<hr/>
	391,342	162,529
	<hr/> <hr/>	<hr/> <hr/>

Note: The amount represents trade payable to vendors by instalment for one to two years, which bearing interest at 2.5% to 12% per annum and not repayable within twelve months from the balance sheet date.

17. BANK BORROWINGS

	2008	2007
	HK\$'000	HK\$'000
Secured	83,000	–
Unsecured	230,000	80,000
	313,000	80,000
Carrying amount repayable:		
Within one year	96,400	80,000
More than one year, but not exceeding two years	166,400	–
More than two years, but not exceeding five years	50,200	–
	313,000	80,000
Less: Amounts due within one year shown under current liabilities	(96,400)	(80,000)
	216,600	–

All the bank borrowings are denominated at HK\$, the functional currency of relevant group entities, with interest rates of HIBOR plus 1.2% to 3.0% (2007: HIBOR plus 0.75%) per annum.

18. CONTINGENT LIABILITIES

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 Melco Crown Entertainment. 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. Crown Limited has given a similar undertaking and entered into a similar arrangement in connection with the said loan facilities.

The Group recognised financial guarantee liabilities in respect of the Exchangeable Bonds issued by Melco Crown SPV which are jointly and severally guaranteed by the Company and Crown Limited.

19. POST BALANCE SHEET EVENTS

- (a) On 29 January 2009, Melco Leisure and Entertainment Group Limited, a wholly-owned subsidiary of the Company, entered into a loan agreement with MCR BC. The loan, which is unsecured, has a principal amount of approximately HK\$11,700,000 (US\$1.5 million) and interest bearing at 3-month LIBOR plus 3% per annum. It has a term of 365 days and is expiring on 28 January 2010.

- (b) In February 2009, the Group entered into a sale and purchase agreement (“Agreement”) with a purchaser (“Purchaser”) to dispose of 80% of the issued share capital of a wholly-owned subsidiary, which is included in the Technology segment, at a consideration of HK\$12,000,000 (“Consideration”) payable to the Group by three installments within two years from date of completion of Agreement (“Completion Date”). The estimated gain on disposal of this subsidiary amounted to approximately HK\$95,000. Pursuant to the Agreement, there is a put option and a call option granted therein to the Group and the Purchaser, respectively, and if either of such options is exercised, the Group shall be bound to sell and the Purchaser shall be bound to purchase the remaining 20% interest of the wholly-owned subsidiary at an additional consideration of HK\$3,000,000. The completion of the sale and purchase of the Agreement is conditional upon the satisfaction of certain conditions precedent.

CHAIRMAN & CEO’S STATEMENT

The year 2008 was tough for all businesses. Economies slipped into recession and the credit crunch put many businesses on the verge of bankruptcy. The extremely testing market environment has affected the leisure and entertainment sector in the region and inevitably Melco, a major player in Macau. However, we believe the market will bottom out in the end and improvement will follow. We remain confident of the prospects of Macau and mainland China, and that mainland China will be among the forces leading the recovery of the global economy.

Among all business units, our core leisure and entertainment business attained the most achievements over the past year. Development of City of Dreams, our flagship property in Macau, reached the final stage and the opening is scheduled for early June 2009. The opening of City of Dreams will expand our reach to the emerging multi-night stay market and our focus will be on the premium end of the mass market and VIP customers from the region. With careful planning, we were able to secure sufficient funding for the project before the financial market meltdown. City of Dreams is fully funded and on budget and will be the only new hotel and casino project to open in Macau in 2009. A committed employer of local talents, we will be offering over 5,000 jobs to local Macau residents at City of Dreams. We have also developed a new brand for Crown Macau to differentiate it from City of Dreams to make sure the two projects each has its own distinct image.

During the year, we celebrated the upgrade of trading of Melco Crown Entertainment Limited (NASDAQ: MPEL) (“MPEL”, formerly known as Melco PBL Entertainment (Macau) Limited) onto the NASDAQ Global Select Market, which has the highest initial listing standards among exchanges in the world. This stands as evidence of our financial and liquidity strengths and achievement of world-class corporate governance.

The Group's major associates, namely, Value Convergence Holdings Limited (Stock Code: 821)("VC"), Melco China Resorts (Holding) Limited (TSXV:MCG, MCG.WT) ("MCR"), MelcoLot Limited (Stock Code: 8198) ("MelcoLot", formerly known as Melco LottVentures Limited) and Elixir Gaming Technologies Inc. (AMEX Ticker:EGT) ("EGT") consolidated their respective businesses and business focuses in the light of changing macro-economic and market conditions. Prudence will be the guiding principle when it comes to running business operations.

Looking ahead, we remain confident of the economic prospects of Macau and its vicinity areas. Although the market is feeling pressure from various external conditions, it still boasts strong attributes and potential as the most dynamic gaming market in the world. Recently, with agreement reached among Hong Kong, Macau and Guangdong province, a scheme was launched allowing residents of Shenzhen to make multiple visits to Hong Kong starting from April 2009. We believe this or similar scheme would be extended to Macau in the end and, when extended, would increase Macau's visitor volume. City of Dreams, due to open in a few months' time, is well positioned to benefit from such scheme. In addition, the six gaming concession holders in Macau recently met to discuss industry issues including a limit on junket commissions. Crown Macau, with its focus on rolling chip play, should benefit from the proposed commission cap.

Finally, I would like to express my heartfelt thanks to all employees for their continuous support, hard work and loyalty during this time of difficulty. I would also like to thank all shareholders for their trust in the Group. We continue to count on your commitment and dedication to help ensure the success of Melco in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENTS AND DEVELOPMENTS

Despite the global economic turmoil, 2008 continued to see solid developments in the Group's businesses all round.

Gaming business in Macau

The Group operates its gaming business in Macau through its 37.8%-owned associate, MPEL, which is listed on NASDAQ in the US. In January 2009, MPEL was upgraded to trade on the NASDAQ Global Select Market, reflecting its commitment to and success in upholding world-class corporate governance standards.

Thanks to a drastic turnaround of performance at Crown Macau, MPEL nearly quadrupled its net revenue as compared to last year. Despite the fact that its flagship property, City of Dreams, is still under construction and therefore not yet open in 2008, MPEL managed to just about break-even at net profit level (after depreciation and interest expenses) in FY2008. According to data and information available to us, Crown Macau consistently ranked among the top 2 casinos in Macau in terms of VIP gaming revenue. In order to align the company's range of product offerings in preparation for the impending opening of City of Dreams, a re-branding effort of Crown Macau is underway and the launch of a new brand name is scheduled within the next two months.

Development and construction of the City of Dreams are at their final stages. This world-class hotel cum casino complex, tentatively set to commence operations in early June, will be the only new project to open in Cotai in 2009. City of Dreams will solidify the business portfolio of MPEL and is expected to increase its market share in Macau. It is expected to have a workforce of over 5,000 which will predominantly be filled by local Macau residents.

Operating approximately 1,100 gaming machines across various seven venues in Macau, Mocha Clubs continued to generate a stable source of income for MPEL.

Gaming Machine Revenue Participation business in South East Asia

EGT, in which the Group holds an effective equity interest of 39.8%, continued to make progress in tapping gaming machine revenue participation opportunities in South East Asia.

In December 2008, it formed a strategic alliance with The Global Draw Ltd. (“Global Draw”), a wholly-owned subsidiary of Scientific Games Worldwide Limited (NASDAQ: SGMS), to place Global Draw’s popular server-based gaming machines at EGT sourced venues. EGT will share in the net win of the machines in operation.

In January 2009, EGT signed a contract with NagaWorld Limited, a wholly owned subsidiary of the Hong Kong listed NagaCorp Ltd. (Stock code: 3918), to place approximately around 140 electronic gaming machines on a participation basis at NagaWorld, a five-star hotel casino resort in Phnom Penh, Cambodia. It will share control over the operation and the gross revenue generated by each machine. EGT plans to increase the number of electronic gaming machines placed at NagaWorld to over 200 by the second quarter of 2009.

Lottery Management business in Asia

MelcoLot, in which the Group has an effective interest of 31.5% on a fully diluted basis (assuming full conversion of all outstanding convertibles), made its first step of expansion move beyond China during the year. In September 2008, MelcoLot acquired the entire issued share capital of KTeMS Co Ltd, a South Korean company which owns a 14% equity interest in Nanum Lotto Co. Ltd., a consortium holding exclusive rights to operate off-line lotto games in South Korea. In December 2008, MelcoLot secured INTRALOT, an Athens-listed global leader in gaming technology and services, as its second largest shareholder. This move greatly enhances the Company’s technological know-how and significantly improves the company’s chances of success when bidding for future projects in China and other Asian countries.

Ski Resort business in China

In May 2008, the Group obtained listing status for Melco China Resorts (Holding) Limited (“MCR”) on the TSX in Toronto, Canada. Through a reverse take-over the Group now owns 49.3% of the issued common shares of MCR. MCR owns and operates the two premier destination ski resorts in China: the Sun Mountain Yabuli resort near Harbin and the Sky Mountain Beidahu resort near Jilin. During 2008, MCR undertook a major upgrade to its Yabuli resort with new 5 star hotels and resort center amenities (spa, restaurants, bar, conference facilities) together with state of the art on-mountain skier facilities that were completed and operational in January 2009. In February 2009, Yabuli hosted the 24th World Winter University Games as well as the 9th China Entrepreneur’s Forum. MCR initiated several operational enhancements to its Sky Mountain Beidahu resort in 2008 in preparation for hosting various major sporting and leisure events in the Winter of 2008/09. MCR holds over 200 hectares of property for resort real estate development in these two resorts.

Financial Services business in Hong Kong and Macau

During the year, VC Financial Group Limited, a wholly-owned subsidiary of VC, which is owned as to 43.4% by the Group, entered into a shareholders’ agreement with Macquarie Macau to establish a 50:50 joint venture company (“JV Company”). In September 2008, the JV Company acquired a plot of land in Macau and intends to form a private equity property development fund or a syndicated property development project in the first half of 2009, which will focus on developing mid- to high-end residential properties in Macau. This initiative will diversify VC’s product portfolio and enhance its fee-based revenue stream, and in turn contribute to its overall financial performance in future.

On 15 August 2008, VC transferred its listing from GEM to the Main Board of the Hong Kong Stock Exchange. The new listing status has lifted its profile and increased the liquidity of its shares, making them more appealing to both institutional and retail investors. More importantly, this enhances VC’s ability to raise funds to support its future business development.

OUTLOOK FOR 2009

The year 2009 remains challenging with the turmoil in the global banking sector expected to be spreading to the real economy, resulting in an inevitable global economic slowdown. Nevertheless, thanks to the huge fiscal stimulus soon to be implemented by the Mainland Chinese Government, we remain optimistic on China’s consumption prowess and the prospects of our investments in Macau and the Greater China Region remain solid.

To prepare ourselves for the forthcoming challenges though, the Group has embarked upon a series of cost rationalization exercises across all its business units. Notably, effective from 1 November 2008, our Chairman and CEO, Mr. Lawrence Ho, has waived 100% of his salary entitlements. In addition, all executive directors and the Chief Financial Officer have volunteered for a 20% salary cut.

Notwithstanding the current economic downturn, our top priority remains the achievement of the highest possible returns for our shareholders whilst upholding the best corporate governance standards and the fulfilment of our corporate citizenship responsibilities.

FINANCIAL REVIEW

To facilitate the review, the segmental information shown in Note 4 to the consolidated financial statements is reproduced below with some minor re-arrangements:

	Year ended 31 Dec 2008 HK\$'000	Year ended 31 Dec 2007 HK\$'000
Segmental Result: Leisure, Gaming and Entertainment	2,879	(74,229)
Segmental Result: Technology	(251,869)	23,282
Segmental Result: Investment and Financial Services	–	69,023
Segmental Result: Property and Other Investments	88,065	118,884
Intra-group elimination	(7)	(779)
	<hr/>	<hr/>
Group operating result	(160,932)	136,181
Share of losses of associates	(387,175)	(519,538)
Share of profit (losses) of jointly controlled entities	109,108	(157,713)
Gain on changes in interests in associates	48,466	1,549,361
Agency fee income	–	1,232,057
Loss on deemed disposal of partial interests in subsidiaries	–	(39,754)
Loss on deemed disposal of subsidiaries	–	(65,288)
Gain on disposal of interests in jointly controlled entities	–	532,604
Impairment loss recognised in respect of interests in associates	(1,160,838)	–
Impairment loss recognised in respect of available-for-sale investments	(147,861)	–
Fair value changes on derivative financial instruments	(227,691)	190,126
Fair value change on investment in convertible loan note	(206,428)	–
Gain on extension of long term payable	2,517	9,656
Gain on early redemption of convertible loan notes	–	8,827
Cost of agency service	–	(14,551)
Unallocated corporate income	45,217	13,562
Unallocated corporate expenses	(159,311)	(101,962)
Finance costs	(107,401)	(96,097)
	<hr/>	<hr/>
(Loss) profit before tax	(2,352,329)	2,677,471
Income tax expense	(885)	(8,808)
	<hr/>	<hr/>
(Loss) profit for the year	(2,353,214)	2,668,663
Minority interests	(3,605)	21,976
	<hr/>	<hr/>
(Loss) profit for the year attributable to shareholders	<u>(2,356,819)</u>	<u>2,690,639</u>

LEISURE, GAMING AND ENTERTAINMENT

	Year ended 31 December	
	2008	2007
	HK\$'000	HK\$'000
Jumbo Kingdom	2,704	(3,243)
Elixir Gaming Technologies, Inc. ("EGT")	–	(70,398)
Others	175	(588)
	<u>2,879</u>	<u>(74,229)</u>

Jumbo Kingdom

Jumbo Kingdom includes the Jumbo and Tai-Pak floating restaurants located in Aberdeen. Jumbo underwent a major refurbishment during the year and has successfully transformed itself into a popular tourist spot in Hong Kong. As a result, Jumbo Kingdom made a positive contribution of approximately HK\$2.7 million to the Group for the year ended 31 December 2008 (2007: loss of HK\$3.2 million).

EGT

The Group's gaming machine revenue participation business is conducted through EGT. In the previous year, EGT was a subsidiary of the Group and hence the losses amounting to HK\$70.4 million was shown under this segment. As a result of a restructuring exercise, EGT ceased to be a subsidiary of the Group in December 2007 and became an associate henceforth. Therefore, the results of EGT for the year under review are shown under the category of "SHARE OF LOSSES OF ASSOCIATES".

Macau Gaming Business

The Group's gaming business in Macau is conducted through its 37.8%-owned NASDAQ-listed associate, MPEL, a financial review of which is shown under the category of "SHARE OF LOSSES OF ASSOCIATES".

TECHNOLOGY

The Group's technology business is conducted through its two wholly owned subsidiaries, Elixir Group Limited ("Elixir Technology") and iAsia Online Systems Limited ("iAsia Technology"). Losses from this segment amounted to HK\$251.9 million for the year ended 31 December 2008 (2007: profit of HK\$23.3 million) and are made up as follows:

	Year ended 31 December	
	2008	2007
	HK\$'000	HK\$'000
Elixir Technology	(258,165)	15,774
iAsia Technology	6,319	7,548
Others	(23)	(40)
	<u>(251,869)</u>	<u>23,282</u>

Elixir Technology

Elixir Technology is a gaming product supplier specializing in the design, development and supply of gaming technologies, including surveillance equipment and other gaming products used in casinos. Up until 6 November 2008, it had also been an exclusive supplier of electronic gaming machines and related equipment to EGT, an associate of the Group.

Elixir Technology made a negative contribution of approximately HK\$258.2 million for the year ended 31 December 2008 (2007: profit of HK\$15.8 million). The loss was primarily due to a one-time inventory write-off amounting to approximately HK\$220 million as well as the closure costs of its R&D department amounting to approximately HK\$20 million. The inventory write-off arose as over 1,500 gaming machines were originally bought for planned shipments to the Cambodian venues operated by EGT. Unfortunately, towards the end of 2008, the Cambodian Government unexpectedly outlawed all gaming activities outside of hotels certified by the Ministry of Tourism. This led to the closure of all but two of approximately 70 slot clubs in Cambodia's Phnom Penh area. As a result, the gaming machines so purchased by Elixir Technology are no longer needed and have to be disposed of at a loss.

iAsia Technology

For the year ended 31 December 2008, iAsia Technology made a positive contribution to the Group amounting to HK\$6.3 million (2007: HK\$7.5 million).

As part of our ongoing effort to focus resources on our core business of leisure, gaming and entertainment, subsequent to the balance sheet date, the Group entered into an agreement to sell 80% of its interests in iAsia Technology at a consideration of HK\$12 million. Prior to the signing of the said sale and purchase agreement, HK\$10 million has been distributed in the form of cash dividend from iAsia Technology to Melco. The Group also has the option to sell the remaining 20% to the buyer within six months after the expiry of the call option period (which is a period of two years after the completion date) pursuant to a call option granted to the purchaser. This transaction is not expected to result in any material gains or losses to the Group.

INVESTMENT AND FINANCIAL SERVICES

The Group's investment and financial services business is conducted through VC. In 2007, after a restructuring, the Group's interests in Value Convergence fell below 50%. As a result, VC ceased to be a subsidiary and became an associate of the Group as from September 2007. For the year under review, the attributable results of VC are shown under the category of "SHARE OF LOSSES OF ASSOCIATES".

PROPERTY AND OTHER INVESTMENTS

This division handles property and other treasury investments for the Group. For the year ended 31 December 2008, it recorded turnover of HK\$76.6 million (2007: HK\$116.8 million) and segmental profit of HK\$88.1 million (2007: HK\$118.9 million). The decrease is primarily due to the drop in short term deposit interest rates as compared to the previous year.

SHARE OF LOSSES OF ASSOCIATES

The Group's share of losses of associates is made up of the following:

	Year ended 31 December	
	2008	2007
	HK\$'000	HK\$'000
Share of profit (loss) of MPEL (1)	33,076	(525,591)
Share of profit of VC (2)	3,290	7,930
Share of (loss) profit of Power Way (3)	(260,285)	13,402
Share of loss of EGT (4)	(95,785)	–
Share of loss of MCR (5)	(47,773)	(15,279)
Share of loss of MelcoLot (6)	(19,698)	–
	<u>(387,175)</u>	<u>(519,538)</u>

(1) Share of profit (loss) of MPEL

For the year under review, the Group's attributable profit arising from its 37.8% ownership of MPEL amounted to approximately HK\$33.1 million (2007: attributable loss of HK\$525.6 million) after taking into account the adjustments under the generally accepted accounting principles ("GAAP") in Hong Kong.

According to the financial statements (prepared under US GAAP) of MPEL, MPEL reported net revenues of US\$1,416.1 million for the year ended 31 December 2008, against approximately US\$358.5 million for the previous year. Net loss (under US GAAP) fell markedly to approximately US\$2.5 million for the year as compared to a net loss of approximately US\$178.2 million for the previous year. The significant improvement was primarily driven by drastically improved operating performance of Crown Macau, which began its operations in May 2007. Adjusted EBITDA amounted to approximately US\$156.7 million for the year as compared to a negative adjusted EBITDA of approximately US\$24.6 million in the previous year.

For the year ended 31 December 2008, net revenues at Crown Macau surged by 374% to approximately US\$1,313.0 million. VIP rolling chip volume also increased dramatically by 333% to approximately US\$62.3 billion. Drop in the mass market table games amounted to approximately US\$353.2 million, and net revenues from gaming machines amounted to approximately US\$13.4 million for the year ended 31 December 2008. According to data and information available to us, Crown Macau consistently ranked among the top 2 casinos in Macau in terms of VIP gaming revenue.

Mocha Clubs generated adjusted EBITDA of approximately US\$25.8 million for the year ended 31 December 2008, representing an increase of 17% as compared to the previous year. As of 31 December 2008, the number of gaming machines in operation at Mocha Clubs totaled 1,161 across seven venues. Average net win per gaming machine per day increased to US\$236 for 2008, as compared with US\$220 for 2007.

(2) Share of profit of VC

Listed on the Hong Kong Stock Exchange, VC offers corporate finance advisory services as well as brokering and dealing for clients in securities, futures and options contracts. Following a restructuring in September 2007, VC has since become an associate of the Group. For the year under review, the Group's attributable profit arising from its 43.4%-owned VC amounted to approximately HK\$3.3 million (2007: HK\$7.9 million).

According to its financial statements, Value Convergence recorded revenue of approximately HK\$129.7 million for the year ended 31 December 2008 (2007: HK\$323.7 million). Consolidated profit attributable to shareholders for the year ended 31 December 2008 was approximately HK\$7.6 million (2007: HK\$50.4 million). The decrease primarily reflected the softened Hong Kong and Mainland equity markets as a result of the economic turmoil which started to take its toll in the latter half of 2008.

(3) Share of (loss) profit of Power Way

In the previous financial year, the Group underwent a restructuring of its lottery management business by the disposal of its interest in a then subsidiary, PAL Development Limited (“PAL”), to a special purpose company called Power Way Group Limited (“Power Way”), which is formed by the Group and certain independent third parties (collectively referred as “Power Way Shareholders”). On the same date, after the transfer of the interest in PAL and certain subsidiaries (collectively the “Assets”) from the Power Way Shareholders to Power Way, Power Way then disposed of the Assets to MelcoLot Limited, a company listed on the GEM Market of the Hong Kong Stock Exchange (formerly known as Melco LottVentures Limited and Wafer Systems Limited), in exchange for certain shares and convertible loan note issued by MelcoLot Limited. Power Way had since become an associate of the Company.

During the year ended 31 December 2008, Power Way distributed all shares and convertible loan note issued by MelcoLot Limited to its shareholders in proportion to the shareholding of each shareholder. MelcoLot Limited then became a direct associate of the Group.

For the year ended 31 December 2008, the attributable loss of Power Way to the Group amounted to approximately HK\$260.3 million (2007: attributable profit of HK\$13.4 million). The loss was mainly due to a write-down of the fair value amounting to approximately HK\$248 million in respect of MelcoLot Limited’s convertible loan note.

(4) Share of loss of EGT

Listed on the American Stock Exchange, EGT is engaged in the placement of gaming machines on a revenue share model in Asia. After a restructuring exercise in December 2007, EGT became an associate of the Group. For the year ended 31 December 2008, the Group’s attributable loss arising from 39.8%-owned EGT amounted to approximately HK\$95.8 million. There is no comparative number in respect of FY2007 as EGT was then a subsidiary, rather than an associate. Attributable loss to the Group of approximately HK\$70.4 million in respect of the year ended 31 December 2007 is instead shown above under the Group’s leisure, gaming and entertainment segment.

According to the financial statements of EGT (prepared under US GAAP), revenue for the year ended 31 December 2008 was about the same as in FY2007 at US\$12.3 million (2007: US\$12.2 million). Net loss, however, decreased significantly by 89% to approximately US\$27.0 million as compared to approximately US\$234.6 million for the previous year. This is primarily due to certain non-cash and non-operating charges totaling US\$218.7 million which hit the company’s bottom-line in FY2007.

Towards the end of 2008, the Cambodian Government unexpectedly outlawed all gaming activities outside of hotels certified by the Ministry of Tourism. This led to the closure of all but two of approximately 70 slot clubs in Cambodia's Phnom Penh area. As a result, all the slot venues run by EGT in Cambodia were closed. Management took immediate remedial action by entering into a revenue participation contract in January 2009 with NagaWorld Limited, a wholly owned subsidiary of the Hong Kong listed NagaCorp Ltd. (Stock code: 3918), to place approximately around 140 electronic gaming machines on a participation basis at NagaWorld, a five-star hotel casino resort in Phnom Penh, Cambodia. It will share control over the operation and gross revenue generated by each machine. EGT plans to increase the number of electronic gaming machines placed at NagaWorld to over 200 by the second quarter of 2009.

As of 15 March 2009, a total of 1,033 of electronic gaming machines were operated by EGT under revenue participation contracts, of which 831 were located in the Philippines and 202 were located in Cambodia.

(5) Share of loss of 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 an 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 Virtual China Travel Services, Co., Ltd. ("VCTS") by way of an amalgamation and its common shares and warrants commenced trading on the TSX Venture Exchange on the same date. As a result, the Group's effective ownership interest in the associate has been changed to 49.3%.

For the year ended 31 December 2008, the loss attributable to the Group amounted to approximately HK\$47.8 million (2007: HK\$15.3 million).

According to the financial statements (prepared under Canadian GAAP) of MCR, for the period from 6 February 2008 (date of incorporation) to 31 December 2008, MCR recorded a net loss of C\$136 million. The loss was primarily due to discontinued operations relating to the disposition of the Beijing and Jilin Mountain Resorts, and goodwill impairment of C\$20.7 million and C\$96.1 million respectively. Excluding these items, MCR reported a net loss of C\$19.2 million for this period.

(6) Share of loss of MelcoLot

MelcoLot (a company listed on the GEM Market of the Hong Kong Stock Exchange) is principally engaged in various lottery-related businesses and ventures in China and Korea. Through its 80%-owned PAL, MelcoLot manages one of the largest lottery retail sales networks in China. It has a manufacturing arm in Shanghai which is a local base for designing and producing lottery vending terminals.

Taking the first step to expand beyond China, in September 2008, the company completed the acquisition of 14% equity interest in Nanum Lotto Company Limited, which is a consortium that operates South Korea's exclusively licensed off-line lotto games.

In December 2008, Athens-listed INTRALOT S.A. ("INTRALOT"; Ticker: INLOT AT, INLr.AT), a leading global gaming technology and services provider, acquired a 20.6% stake (on a fully diluted basis) in the Company, thus becoming the second largest shareholder of MelcoLot with Melco remaining as the largest shareholder.

The Group's attributable loss from the date on which MelcoLot became an associate to 31 December 2008 amounted to approximately HK\$19.7 million.

According to the financial statements of MelcoLot, revenue for the year ended 31 December 2008 increased by 67.7% to HK\$607 million as compared to HK\$362 million in the previous year. Stripping out non-cash items, EBITDA increased by 22.8% to HK\$29.1 million as compared to HK\$23.7 million in 2007.

SHARE OF PROFIT (LOSSES) OF JOINTLY CONTROLLED ENTITIES

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

	Year ended 31 December	
	2008	2007
	HK\$'000	HK\$'000
Share of profit (loss) of Melco Crown SPV (a)	109,108	(144,587)
Share of loss of PAL (b)	–	(13,126)
	109,108	(157,713)

(a) Share of profit (loss) of Melco Crown SPV

On 30 July 2007, the Group and Crown Limited formed a 50:50 joint venture, Melco Crown SPV Limited ("Melco Crown 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 American Depository Shares ("ADSs") 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 (together US\$250 million) 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 year ended 31 December 2008, the attributable profit amounting to approximately HK\$109.1 million (2007: loss of HK\$144.6 million) was recognised mainly due to the reduction in fair value of the Exchangeable Bonds (the liability component) as a result of the fall in the share price of MPEL.

(b) Share of loss of PAL

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 year ended 31 December 2007, its operational loss attributable to the Group amounted to HK\$13.1 million.

GAIN ON CHANGES IN INTERESTS IN ASSOCIATES

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

	Year ended 31 December	
	2008	2007
	HK\$'000	HK\$'000
Gain on changes in interests in MCR (a)	54,370	–
Loss on changes in interests in VC (b)	(514)	–
Loss on changes in interests in MelcoLot (c)	(2,254)	–
(Loss) Gain on changes in interests in MPEL (d)	(3,136)	1,549,361
	<u>48,466</u>	<u>1,549,361</u>

(a) Gain on changes in interests in MCR

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 Venture Exchange 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 for the year ended 31 December 2008.

(b) Loss on changes in interests in VC

During the year ended 31 December 2008, the Group's equity interest in VC decreased from 43.5% to 43.4% resulting from the exercise of certain share options of Value Convergence by the option holders. Therefore, the Group recognised a loss of approximately HK\$514,000 representing the decrease in net assets of VC attributable to the Group.

(c) Loss on changes in interests in MelcoLot

During the year ended 31 December 2008, the Group's ownership in MelcoLot decreased from 11.03% to 10.41% resulting from the issuance of shares by MelcoLot. As a result, the Group recognised a loss of approximately HK\$2.3 million representing the decrease in net assets attributable to the Group.

(d) (Loss) Gain on changes in interests in MPEL

During the year ended 31 December 2008, the Group's equity interest in MPEL decreased from 37.85% to 37.83% resulting from vesting of certain restricted shares issued by MPEL. As a result, the Group therefore recognised a loss of approximately HK\$3.1 million representing the decrease in net assets attributable to the Group.

In January 2007, the underwriters of the global offering of ADSs of MPEL fully exercised the over allotment option granted to them. The exercise in full of the over allotment option resulted in the issuance by MPEL of an additional 9,037,500 ADSs, representing 27,112,500 ordinary shares. In addition, MPEL completed a second offering of 37,500,000 ADSs, representing 112,500,000 ordinary shares in November 2007. The Group's interest in MPEL therefore decreased from 42.34% to 37.85% and a gain on deemed disposal of interests in associates of approximately HK\$1.5 billion was therefore recognised during the year ended 31 December 2007.

AGENCY FEE INCOME

During the year ended 31 December 2007, the Group subscribed to 1,000,000 shares ("First Shares") and 16,000,000 warrants ("First Warrants") of EGT. Pursuant to a securities purchase agreement, the First Shares of EGT subscribed are accounted for as available-for-sale investments and the First Warrants subscribed are recognised as derivative financial instruments upon initial recognition. EGT is a company having its shares listed on the American Stock Exchange. The First Warrants subscribed originally have exercise price ranging from US\$2.65 to US\$5.50 and are exercisable during the period from 31 December 2007 to 31 December 2010.

On 13 June 2007, the Group entered into a Products Participation Agreement (“PPA”) with EGT. Pursuant to the PPA, for a term of six years from the date of completion, a wholly owned subsidiary of the Company, Elixir Group Limited (“Elixir”), will provide agency services to source and refer gaming operators in certain specific countries to EGT for the entering into of the electronic gaming machine (“EGM”) leases on a revenue sharing basis directly with EGT and to supply, at market prices, the necessary EGM to EGT for the fulfillment of its obligations under such leases. In consideration of the services to be provided by Elixir and upon achievement of various milestones under the PPA, EGT will allot and issue a maximum of 55,000,000 shares, 88,000,000 warrants and amend the terms of the existing warrants previously issued to Elixir.

In September 2007, the Group has achieved certain milestones under the PPA resulting in i) the issuance of 40,000,000 shares (“Second Shares”) and 22,000,000 warrants (“Second Warrants”) to Elixir; ii) the First Warrants became immediately exercisable and iii) the exercise price of 10,000,000 warrants included in the First Warrants is reduced by US\$2.00 where the adjusted exercise price ranged from US\$1.00 to US\$3.50. The exercise price of the remaining 6,000,000 First Warrants remains US\$2.65. As a result of the issuance of Second Shares and Second Warrants, an agency fee income of approximately HK\$1,232 million is recognised and EGT then became a subsidiary of the Group.

As this is a one-off non-recurring item, there is no corresponding income in the year ended 31 December 2008.

LOSS ON DEEMED DISPOSAL OF PARTIAL INTERESTS IN SUBSIDIARIES

Loss on deemed disposal of partial interests in subsidiaries for the year ended 31 December 2007 are made up as follows:

	Year ended 31 December	
	2008	2007
	<i>HK\$’000</i>	<i>HK\$’000</i>
Loss arising from deemed disposal of partial interest in EGT	–	(76,948)
Gain arising from deemed disposal of partial interest in VC	–	37,194
	<u>–</u>	<u>37,194</u>
	<u>–</u>	<u>(39,754)</u>

Both of these are one-off non-recurring items and therefore there are no corresponding entries for the year under review.

LOSS ON DEEMED DISPOSAL OF SUBSIDIARIES

Loss on deemed disposal of subsidiaries for the year ended 31 December 2007 are made up of the following:

	Year ended 31 December	
	2008	2007
	HK\$'000	HK\$'000
Loss on deemed disposal of EGT	–	(143,368)
Gain on deemed disposal of Value Convergence	–	78,080
	<hr/>	<hr/>
	–	(65,288)
	<hr/> <hr/>	<hr/> <hr/>

Both of these are one-off non-recurring items and therefore there are no corresponding entries for the year under review.

GAIN ON DISPOSAL OF INTERESTS IN JOINTLY CONTROLLED ENTITIES

During the year ended 31 December 2007, the Group disposed of its interest in a jointly controlled entity, PAL, to Power Way, which was formed by the Group and certain independent third parties (collectively referred as “Power Way Shareholders”). On the same date, after the transfer of PAL and certain businesses and subsidiaries (collectively the “Assets”) from the Power Way Shareholders to Power Way, it then disposed of the Assets to MelcoLot (formerly known as Melco LottVentures Limited and Wafer Systems Limited) in exchange for certain shares and convertible loan notes of MelcoLot Limited. Power Way then becomes an associate of the Company. As a result of the disposal, the difference between the attributable interest in Power Way shared by the Group and the share of net assets of PAL disposed of amounting to approximately HK\$532.6 million was recognised as a gain on disposal of interests in jointly controlled entities during the year ended 31 December 2007.

As this is a one-off non-recurring item, there is no corresponding entry for the year under review.

IMPAIRMENT LOSS RECOGNISED IN RESPECT OF INTERESTS IN ASSOCIATES

During the year ended 31 December 2008, the Group performed an impairment assessment on its interests in associates with reference to the recoverable amount and recognised an impairment loss of approximately HK\$1,160.8 million in relation to its interests in two associates, namely, EGT and MCR. The recoverable amounts of EGT and MCR have been determined based on the respective closing share prices of EGT and MCR as at 31 December 2008. The total recoverable amount of EGT and MCR together was estimated to be approximately HK\$57.3 million.

IMPAIRMENT LOSS RECOGNISED IN RESPECT OF AVAILABLE-FOR-SALE INVESTMENTS

During the year ended 31 December 2008, the Group recognised an impairment loss of approximately HK\$147.9 million, representing an impairment loss on listed equity securities and unlisted equity securities of approximately HK\$139.5 million and HK\$8.4 million respectively.

FAIR VALUE CHANGES ON DERIVATIVE FINANCIAL INSTRUMENTS

During the year ended 31 December 2008, the Group recognized a total decrease in fair value of derivative financial instruments of approximately HK\$227.7 million. This is made up of a decrease in fair value of the EGT warrants amounting to approximately HK\$223.6 million (2007: an increase of HK\$190.1 million) and a decrease in fair value of MCR warrants amounting to approximately HK\$4.1 million (2007: Nil).

FAIR VALUE CHANGE ON INVESTMENT IN CONVERTIBLE LOAN NOTE

The Group's associate, Power Way, owned certain shares and convertible loan notes issued by MelcoLot ("MelcoLot Shares" and "MelcoLot Convertibles") as at 31 December 2007. During the year under review, Power Way distributed all such shares and convertible loan notes to its shareholders in proportion to the shareholding of each shareholder. From then on, MelcoLot became a direct associate of the Group and the fair value of the MelcoLot Convertibles at the date of distribution, amounting to approximately HK\$375.0 million, is recognised as the deemed cost of the Group's investment in MelcoLot Convertibles.

Between the date of distribution and 31 December 2008, the share price of MelcoLot has declined. As a result, a decrease in fair value of approximately HK\$206.4 million was recognized by the Group on its ownership of the MelcoLot Convertibles. As at 31 December 2008, the fair value of the MelcoLot Convertibles was estimated to be approximately HK\$168.6 million.

GAIN ON EXTENSION OF LONG TERM PAYABLE

In 2006, following a restructuring of the Group's Macau gaming business and its listing on NASDAQ, there was a net amount of HK\$180 million due to Crown Limited, a co-shareholder of MPEL. This payable amount is stated on the balance sheet at amortised cost and is unsecured, non-interest bearing and not repayable within twelve months from the balance sheet date. As at 31 December 2008, such consideration payable is not repayable within twelve months from the balance sheet date and is therefore shown as a non-current liability. The repayment date of this long term payable was extended to May 2010 during the year under review. As a result, a deemed gain of approximately HK\$2.5 million was recognised for the year ended 31 December 2008 (2007: HK\$9.7 million).

GAIN ON EARLY REDEMPTION OF CONVERTIBLE LOAN NOTES

During the year ended 31 December 2007, the Group exercised the early redemption option in respect of 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 thus recognised in the year ended 31 December 2007. As this is a one-off non-recurring item, there is no corresponding entry in the year under review.

COST OF AGENCY SERVICE

For the year ended 31 December 2007, cost of agency service amounted to approximately HK\$14.6 million which was primarily related to legal and professional fees incurred in respect of the EGT restructuring. As this is a one-off non-recurring item, there is no corresponding entry in the year under review.

UNALLOCATED CORPORATE INCOME AND CORPORATE EXPENSES

Unallocated corporate income mainly represented amortised financial guarantee income in relation to the joint and several financial guarantee provided by the Company and Crown Limited for the exchangeable bonds issued by the Melco Crown SPV in September 2007.

Unallocated corporate expenses increased by 56% from approximately HK\$102.0 million in 2007 to HK\$159.3 million in 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 12% from approximately HK\$96.1 million in 2007 to HK\$107.4 million in 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\$0.9 million in 2008 (2007: HK\$8.8 million). This was primarily due to a deferred tax expense of HK\$0.9 million in 2008 (2007: HK\$0.1 million) and a nil current tax expense in 2008 (2007: HK\$8.7 million).

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 31 December 2008, total assets of the Group were HK\$10,406.1 million (31 December 2007: HK\$12,314.2 million) which were financed by shareholders' funds of HK\$7,899.5 million (31 December 2007: HK\$10,319.1 million), minority interests of HK\$26.0 million (31 December 2007: HK\$22.4 million), current liabilities of HK\$826.2 million (31 December 2007: HK\$638.1 million), and non-current liabilities of HK\$1,654.4 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 1.1 (31 December 2007: 2.5).

During the year ended 31 December 2008, the Group recorded a net cash outflow of HK\$69 million (year ended 31 December 2007: outflow of HK\$901 million). As of 31 December 2008, cash and cash equivalents of the Group totaled HK\$239.9 million (31 December 2007: HK\$308.9 million). The gearing ratio, expressed as a percentage of total borrowings (including bank borrowings, convertible loan note, trade payables due after one year, long term payable and shareholder's loan) over shareholders' fund, was at a satisfactory level of 0.24 time as of 31 December 2008 (31 December 2007: 0.15 time). The Group adopts a prudent treasury policy. 77% of bank balances and cash (including bank deposits with original maturity over three months) are put in short-term fixed deposits. All borrowings, and cash and bank balances are mainly denominated in Hong Kong dollars and U.S. dollars to minimize exposure to foreign exchange risks. Also, as at 31 December 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. The Group's bank deposits of approximately HK\$5.8 million (31 December 2007: Nil) were pledged to a bank for the completion of a sale agreement with a customer.

As at 31 December 2008, the Group's total convertible loan note amounted to HK\$1,061.9 million, which was non-interest bearing and due in 2010. The Group's trade payables due after one year amounted to HK\$81.7 million, which is payable by installments at interest rates ranging between 2.5% to 12% per annum. This amount is not repayable within twelve months from the balance sheet date. The amount due to Crown Limited by the Group amounted to HK\$172.5 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 31 December 2008, the Group's total available banking facilities from various banks amounted to HK\$313.9 million (31 December 2007: HK\$130.7 million), of which HK\$83 million (31 December 2007: HK\$49.8 million) was secured by pledging HK\$166 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 31 December 2008, the Group utilized HK\$230 million and HK\$83.9 million of unsecured and secured banking facilities respectively (31 December 2007: unsecured HK\$80 million; secured HK\$0.9 million).

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

During the year under review, 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. 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 Venture Exchange on the same date. As a result, the Group's effective ownership interest in the associate has been changed to 49.3% but the net assets of MCR attributable to the Group have increased.

In September 2008, the Group made further capital contribution of approximately HK\$53.6 million to Power Way, an associate of the Group, in return for additional 3,146 ordinary shares in Power Way. The Group's shareholding has therefore increased from 54.79% to 58.70%. In October 2008, the Group acquired an additional 9,712,000 ordinary shares of MelcoLot, an associate of the Group, amounting to approximately HK\$2.9 million.

Subsequent to the balance sheet date, on 23 February 2009, Melco Technology Group Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Agreement") with Glory Stand Investments Limited ("the Purchaser") to sell the shares owned by Melco Technology Group Limited ("Sale Shares"), representing 80% of the issued share capital of iAsia Technology.

The sale and purchase of the Sale Shares is subject to the satisfaction of certain conditions precedent including carrying out of and satisfaction of results of due diligence by the Purchaser. The consideration for the sale of the Sale Shares in the amount of HK\$12 million is payable by three installments within two years from completion of the transaction. An Independent Third Party, who holds 100% of the issued share capital of the Purchaser, has given a guarantee in respect of the Purchaser's performance as prescribed in the Agreement.

Upon completion of the transaction, Melco Technology Group Limited will hold 20% of the issued share capital of iAsia Technology. A put option is available to Melco Technology Group Limited to sell the remaining 20% of the issued share capital of iAsia Technology within six months after the expiry of the call option period (which is a period of two years after the completion date) pursuant to a call option granted to the Purchaser.

HEADCOUNT/EMPLOYEES' INFORMATION

The total number of employees (excluding the employees of MPEL, MelcoLot, MCR, EGT and VC) was 388 as of 31 December 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 31 Dec 2008 excludes the employees of VC which is now an associate, rather than a subsidiary, of the Group. Among the 388 employees, 311 are located in Hong Kong and the rest are based in Macau and the PRC. The related staff costs for the year ended 31 December 2008, including directors' emoluments, share options expenses and share award expenses, amounted to HK\$169.5 million (2007: HK\$288.0 million). The total number of the Group's employees (including the employees of MPEL, MelcoLot, MCR, EGT and VC) was 7,333 as of 31 December 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 do their best at work and grow with the Group. We build staff loyalty through recognition, involvement and participation.

Melco's people policy, systems and practices are directly aligned with the Group's mission and values, and are conducive to desired behaviors, which contribute to business success.

1. Recruitment

Melco is an equal opportunities employer and we recruit talents with professional competence, desirable personal qualities and commitments. We hire the right people to shape our future. We identify and validate talents through different recruitment exercises and regularly review our recruitment structure and assessment criteria. We also employ suitable tools to assess candidates' potential.

2. Performance and Rewards

Melco demands and appreciates high performance. Our reward principle is primarily performance based and we reward our people competitively based on their job responsibilities, performance and contribution to business results as well as professional and managerial competencies.

3. Learning & Development

Melco provides training for staff members to develop the skills needed to satisfy business needs, which would improve performance, deliver value and enhance personal growth. We adopt a systematic approach to designing our training programs with a special focus on individual and corporate needs. Training objectives and the desired outcomes are first established and results are continually reviewed.

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 Patacas. 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.

CONTINGENT LIABILITIES

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 by 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 the completion of the project. The Company maintains a standby letter of credit for the said maximum amount to support its contingent obligation. Crown Limited has given a similar undertaking and entered into a similar arrangement in connection with the said loan facilities.

The Group recognised financial guarantee liabilities in respect of the Exchangeable Bonds issued by Melco Crown SPV which are jointly and severally guaranteed by the Group and Crown Limited.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2008 (2007: HK\$0.01 per share).

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with the code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices ("HKSE Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2008, except for the deviations mentioned below:

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.

Pursuant to Code Provision A.2.1 of the HKSE Code, the roles of 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 that such arrangement be subject to review by the Board of Directors of the Company from time to time.

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 Group's annual results for the year ended 31 December 2008.

PRELIMINARY ANNOUNCEMENT OF THE RESULTS AGREED BY AUDITORS

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2008 as set out in the preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

During the year ended 31 December 2008, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities, except that the trustee of The Melco Share Purchase Scheme Trust (the "Share Purchase Scheme") has, 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 year was approximately HK\$24,000,000.

BOARD OF DIRECTORS

As at the date of this announcement, 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
Melco International Development Limited
Ho, Lawrence Yau Lung
Chairman and Chief Executive Officer

Hong Kong, 30 March 2009