THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This circular is not an offer to sell or the solicitation of an offer to buy any securities and neither this circular nor anything herein forms the basis for any contract or commitment whatsoever.

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Melco International Development Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, the licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Melco

Melco International Development Limited

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

CONNECTED TRANSACTION – MATERIAL AMENDMENTS TO TERMS OF THE HK$1,175 MILLION CONVERTIBLE LOAN NOTES DUE 2010 UNDER RULE 28.05 OF THE LISTING RULES

APPLICATION FOR A WHITEWASH WAIVER

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

信達國際融資有限公司
CINDA INTERNATIONAL CAPITAL LIMITED

A letter from the Board of Directors of the Company is set out on pages 5 to 19 of this circular. A letter from the Independent Board Committee of the Company containing its advice to the Independent Shareholders is set out on pages 20 to 21 of this circular. A letter from Cinda International Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of the Company, containing its advice to the Independent Board Committee and the Independent Shareholders of the Company is set out on pages 22 to 42 of this circular.

A notice convening an extraordinary general meeting ("EGM") of the Company to be held at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong at 10:30 a.m. on Monday, 8 February 2010 is set out on pages 179 to 180 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend and vote at the EGM or any adjourned meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's registered office at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

20 January 2010

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In this circular, unless the context otherwise requires, the following terms have the meanings set opposite them below:

"22 July 2005 Circular"	the circular of the Company dated 22 July 2005 relating to, inter alia, the Convertible Loan Notes
"Acquisition"	the acquisition by the Company's subsidiary of an approximately 49.2% interest in a joint venture relating to a parcel of land located on the Cotai Strip in Macau in 2005
"Additional Class 6 Presumed Concert Parties"	the Directors and their close relatives, related trusts and companies controlled by such Directors, their close relatives and related trusts (other than Mr. Lawrence Ho and his close relatives, related trusts and companies controlled by him, his close relatives and related trusts)
"Announcement"	the announcement of the Company dated 16 December 2009 relating to the Deed of Amendment and the Whitewash Waiver
"associate"	the meaning assigned to that expression in the Listing Rules
"Better Joy"	Better Joy Overseas Limited, beneficial interests in which are owned by persons and/or trusts associated with Mr. Lawrence Ho
"Board"	the Board of Directors of the Company
"Business Day"	a day (excluding Saturday and any day on which a tropical cyclone warning no. 8 or above is hoisted at any time between 9:00 a.m. and 5:30 p.m. or on which a "black" rainstorm warning is hoisted at any time between 9:00 a.m. and 5:30 p.m.) on which licensed banks in Hong Kong are open for business
"Company"	Melco International Development Limited, a company established under the laws of Hong Kong and having its Shares listed on the Stock Exchange
"Conversion Shares"	the Shares that are to be issued and allotted upon conversion of the Convertible Loan Notes
"Convertible Loan Notes"	the HK$1,175 million in principal amount of convertible loan notes due 2010 issued by the Company to Great Respect
"Deed of Amendment"	the deed of amendment entered into between the Company and Great Respect on 16 December 2009
"Directors"	directors of the Company

"Dr. Stanley Ho"	Dr. Ho Hung Sun, Stanley
"EGM"	an extraordinary general meeting of the Company convened to be held at 10:30 a.m. on Monday, 8 February 2010 for the purpose of considering, and if thought fit, approving: (a) the Deed of Amendment; and (b) the Whitewash Waiver
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
"Great Respect"	Great Respect Limited, a company incorporated in the British Virgin Islands which is controlled by a discretionary family trust of Dr. Stanley Ho, beneficiaries of which trust are members of Dr. Stanley Ho's family, including but not limited to Dr. Stanley Ho, Mr. Lawrence Ho and Madam Lucina Laam King Ying
"Group"	the Company and its subsidiaries from time to time
"Independent Board Committee"	the independent board committee of the Company comprising the Independent Non-executive Directors, namely Sir Roger Lobo, Dr. Lo Ka Shui and Mr. Sham Sui Leung, Daniel, appointed to advise the Independent Shareholders on the Deed of Amendment and the Whitewash Waiver and as to whether or not the terms of the Deed of Amendment and the Whitewash Waiver are fair and reasonable and in the interests of the Independent Shareholders as a whole
"Independent Financial Adviser"	Cinda International Capital Limited, the independent financial adviser appointed to advise the Independent Board Committee in connection with the Deed of Amendment and the Whitewash Waiver
"Independent Shareholders"	the Shareholders other than the members of the Lawrence Ho Concert Party, the Additional Class 6 Presumed Concert Parties, the trustee holding Shares for The Melco Share Purchase Scheme Trust and The Melco Share Award Scheme Trust and persons otherwise involved or interested in the Deed of Amendment and the Whitewash Waiver
"Independent Third Party"	an independent third party not connected with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates

"Initial Conversion Price"	HK$9.965 per Share
"Last Trading Date"	15 December 2009, being the last date on which the Shares were traded on the Stock Exchange prior to the date of the Announcement
"Lasting Legend"	Lasting Legend Limited, beneficial interests in which are owned by persons and/or trusts associated with Mr. Lawrence Ho
"Latest Practicable Date"	15 January 2010, being the latest practicable date prior to the despatch of this circular for ascertaining certain information for the purpose of inclusion in this circular
"Lawrence Ho Concert Party"	Mr. Lawrence Ho and certain persons either acting in concert with him or presumed to be acting in concert with him for the purposes of the Takeovers Code, including Better Joy (beneficial interests in which are owned by persons and/or trusts associated with Mr. Lawrence Ho); Lasting Legend (beneficial interests in which are owned by persons and/or trusts associated with Mr. Lawrence Ho); The L3G Capital Trust (beneficial interests in which are owned by persons and/or trusts associated with Mr. Lawrence Ho); Dr. Stanley Ho (the father of Mr. Lawrence Ho); Lanceford Company Limited (a company controlled by Dr. Stanley Ho); Madam Lucina Laam King Ying (the mother of Mr. Lawrence Ho); STDM, (an associate of Dr. Stanley Ho); Ms. Ho Daisy Chiu Fung (the sister of Mr. Lawrence Ho) and Great Respect. *Shareholders should note that the Additional Class 6 Presumed Concert Parties (as referred to in the definition of that expression above), The Melco Share Purchase Scheme Trust and The Melco Share Award Scheme Trust are also presumed for the purposes of the Takeovers Code to be acting in concert with Mr. Lawrence Ho in respect of the Company and the Whitewash Waiver. In the case of the Additional Class 6 Presumed Concert Parties, this is by virtue of Class 6 of the presumptions under the definition of "Acting in concert" under the Takeovers Code and Note 7 to that definition. In the case of The Melco Share Purchase Scheme Trust and The Melco Share Award Scheme Trust, this is by virtue of the application of Note 20 to Rule 26.1 of the Takeovers Code. The Additional Class 6 Presumed Concert Parties are separately defined in this circular and are not included in the defined term "Lawrence Ho Concert Party" and their holdings of and dealings (if any) in the securities of the Company are separately disclosed. Similarly, The Melco Share Purchase Scheme Trust and The Melco Share Award Scheme Trust and their respective holdings of and dealings (if any) in the securities of the Company are separately dealt with and separately disclosed in this circular.*

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Lawrence Ho"	Mr. Ho, Lawrence Yau Lung
"Notice of EGM"	the notice of the Company dated 20 January 2010 convening the EGM as set out on pages 179 to 180 of this circular
"Original Maturity Date"	4 September 2010, being five years from the date of issue of the Convertible Loan Notes
"Relevant Period"	the period commencing on the date falling six months prior to the date of the Announcement and ended on the Latest Practicable Date
"Revised Conversion Price"	HK$3.93
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholders"	holders of Shares
"Shares"	shares of HK$0.5 each in the share capital of the Company
"STDM"	Sociedade de Turism e Diversões de Macau, S.A., a company established under the laws of Macau, which is an associate of Dr. Stanley Ho
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Whitewash Waiver"	the waiver by the Executive of the obligations of Mr. Lawrence Ho and Great Respect to make a mandatory general offer pursuant to the provisions of Rule 26 of the Takeovers Code to acquire the entire issued share capital of the Company not otherwise owned by them and parties acting in concert with them under the Takeovers Code which would otherwise arise as a result of any and all future exercises of the conversion rights conferred by the Convertible Loan Notes (as amended by the Deed of Amendment), such waiver to be subject to such conditions as are customary, including the approval of the Independent Shareholders pursuant to a vote conducted by way of poll having been obtained at the EGM and full compliance with the provisions of the Takeovers Code

Melco International Development Limited

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

Executive Directors:
Mr. Ho, Lawrence Yau Lung
(Chairman and Chief Executive Officer)
Mr. Tsui Che Yin, Frank
Mr. Chung Yuk Man, Clarence

Non-executive Director:
Mr. Ng Ching Wo

Independent Non-executive Directors:
Sir Roger Lobo
Dr. Lo Ka Shui
Mr. Sham Sui Leung, Daniel

Registered Office:
38th Floor, The Centrium
60 Wyndham Street
Central
Hong Kong

20 January 2010

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION – MATERIAL AMENDMENTS TO TERMS OF THE HK$1,175 MILLION CONVERTIBLE LOAN NOTES DUE 2010 UNDER RULE 28.05 OF THE LISTING RULES

APPLICATION FOR A WHITEWASH WAIVER

1. INTRODUCTION

In its Announcement dated 16 December 2009, the Company announced that on 16 December 2009, the Company had entered into a Deed of Amendment with Great Respect to amend the terms of the Convertible Loan Notes. The principal terms of the Convertible Loan Notes and the proposed amendments of the terms of the Convertible Loan Notes to be effected by the Deed of Amendment were summarised in the Announcement.

The purpose of this circular is to give you further details of:

(a) the Deed of Amendment and the transactions contemplated thereunder; and

(b) the Whitewash Waiver application.

This circular also sets out the recommendations from the Independent Board Committee to the Independent Shareholders, a letter of advice from the Independent Financial Adviser to the Independent Board Committee, financial information (in Appendix I) and other general information (in Appendix II) in relation to the Group and the Notice of the EGM.

2. BACKGROUND

The Company refers to its announcement dated 13 May 2005 and the 22 July 2005 Circular. As described in the 22 July 2005 Circular, the Company issued the Convertible Loan Notes to Great Respect, as consideration for the Acquisition.

The principal terms of the Convertible Loan Notes are summarised again below for Shareholders' ease of reference:

Principal Amount	:	HK$1,175 million, equal to the consideration payable to Great Respect pursuant to the Acquisition.
Status	:	General, unsecured obligations of the Company ranking equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company.
Maturity	:	On the Original Maturity Date.
Interest	:	The Convertible Loan Notes do not bear interest.
Conversion	:	The principal amount of the Convertible Loan Notes is currently convertible into Conversion Shares at the Initial Conversion Price, subject to customary adjustments to accommodate, among other things, subdivisions and consolidations of the shares of the Company, in accordance with the terms of the Convertible Loan Notes. The conversion price was equal to the average closing price of the Company's shares (after adjusting for a share subdivision) on the five trading days immediately preceding 10 May 2005, being the last date on which the Company's shares were traded on the Stock Exchange prior to the suspension of trading in the Company's shares pending the release of the announcement relating (among other things) to the issue of the Convertible Loan Notes. Shares issued upon an exercise of the conversion rights conferred under the Convertible Loan Notes rank pari passu in all respects with all other existing Shares outstanding at the relevant conversion date and all Shares issued upon conversion shall include rights to participate in all dividends and other distributions the record date for which falls on or after the relevant conversion date.

Transfer	: The Convertible Loan Notes are not transferable without the consent of the Company.
Redemption	: The Convertible Loan Notes (if not already redeemed or converted) must be redeemed by the Company on the Original Maturity Date. The Convertible Loan Notes may be redeemed, at the option of the holder of the Convertible Loan Notes, on the occurrence of certain specified events of default of the Company. In either case, the Convertible Loan Notes shall be redeemed at an amount equal to 100% of the principal amount of the Convertible Loan Notes being redeemed.

Shareholders are also referred to the 22 July 2005 Circular for further details of the Acquisition and the Convertible Loan Notes.

The issue of the Convertible Loan Notes was approved as a connected transaction under the Listing Rules

The issue of the Convertible Loan Notes was a connected transaction for the Company under Chapter 14A of the Listing Rules and was approved by the independent shareholders of the Company at an extraordinary general meeting of the Company held on 10 August 2005.

Whitewash Waiver

In addition, the Convertible Loan Notes were issued with the benefit of a whitewash waiver granted under Note 1 on Dispensations from Rule 26 of the Takeovers Code. The whitewash waiver was a waiver of the general offer obligation of Great Respect which would otherwise arise on conversion of the Convertible Loan Notes in full. The whitewash waiver was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 10 August 2005 and granted by the Executive on 28 July 2005.

Shareholding structure of the Company as at the Latest Practicable Date and upon full conversion of the Convertible Loan Notes (in accordance with their existing terms, prior to the amendments proposed to be made by the Deed of Amendment)

The issued share capital of the Company (1) as at the Latest Practicable Date and (2) assuming conversion of the Convertible Loan Notes (in accordance with their existing terms, prior to the amendments proposed to be made by the Deed of Amendment) in full (but no other changes to the Company's issued share capital), are set out in the table below:

Name of shareholder	Existing shareholding as at the Latest Practicable Date		Assuming full conversion of the Convertible Loan Notes	
	Number of Shares	*Percentage Shareholding*	*Number of Shares*	*Percentage Shareholding*
Mr. Lawrence Ho and entities controlled by him				
Mr. Lawrence Ho*	7,793,951	0.63%	7,793,951	0.58%
Better Joy	288,532,606	23.45%	288,532,606	21.40%
Lasting Legend	115,509,024	9.39%	115,509,024	8.57%
The L3G Capital Trust	7,294,000	0.59%	7,294,000	0.54%
Lawrence Ho Group sub-total	**419,129,581**	**34.07%**	**419,129,581**	**31.09%**
Dr. Stanley Ho	18,587,789	1.51%	18,587,789	1.38%
Lanceford Company Limited	3,127,107	0.25%	3,127,107	0.23%
Madam Lucina Laam King Ying	444,574	0.04%	444,574	0.03%
Sociedade de Turismo e Diversoes de Macau, S.A.	222	0.00002%	222	0.00002%
Ms. Ho Daisy Chiu Fung	67,500	0.005%	67,500	0.005%
Great Respect	–	–	117,912,694	8.75%
Lawrence Ho Concert Party sub-total	**441,356,773**	**35.88%**	**559,269,467**	**41.48%**
Additional Class 6 Presumed Concert Parties	**2,319,988**	**0.19%**	**2,319,988**	**0.17%**
Shares held by the trustee on behalf of The Melco Share Purchase Scheme Trust and The Melco Share Award Scheme Trust	**1,601,485**	**0.13%**	**1,601,485**	**0.12%**
Total of (1) Lawrence Ho Concert Party, (2) Additional Class 6 Presumed Concert Parties and (3) Shares held by the trustee on behalf of The Melco Share Purchase Scheme Trust and The Melco Share Award Scheme Trust	**445,278,246**	**36.19%**	**563,190,940**	**41.77%**
Public	784,980,693	63.81%	784,980,693	58.23%
Total	**1,230,258,939**	**100.00%**	**1,348,171,633**	**100.00%**

* As at the Latest Practicable Date, Mr. Lawrence Ho and the other directors of the Company presumed to be acting in concert under Class 6 of the definition of "Acting in concert" under the Takeovers Code also hold the respective numbers of options granted under the share option scheme of the Company adopted on 8 March 2002 and Shares awarded under The Melco Share Purchase Scheme Trust of the Company adopted on 18 October 2007 shown in the table on page 10 below.

As at the Latest Practicable Date, the Lawrence Ho Concert Party held Shares representing (in aggregate) approximately 35.88% of the total voting rights of the Company.

Great Respect is controlled by a discretionary family trust of Dr. Stanley Ho and beneficiaries of such trust are members of Dr. Stanley Ho's family, including but not limited to Dr. Stanley Ho, Mr. Lawrence Ho and Madam Lucina Laam King Ying.

In addition, pursuant to Note 7 to the definition of "Acting in concert" in the Takeovers Code and Note 1 to paragraph 3 of Schedule VI (Whitewash Guidance Note) to the Takeovers Code, the presumption in Class 6 of the definition of "Acting in concert" under the Takeovers Code is applicable in the context of a whitewash waiver application. Pursuant to Class 6 of the definition of "Acting in concert", directors of a company (together with their close relatives, related trusts and companies controlled by such directors, their close relatives and related trusts) which is the subject of a whitewash waiver application are presumed to be acting in concert with each other unless the contrary is established. The shareholdings of the Directors are set out in the table on page 10 below. As at the Latest Practicable Date, the Lawrence Ho Concert Party and the Additional Class 6 Presumed Concert Parties held Shares in the Company representing, in aggregate, approximately 36.06% of the total voting rights of the Company. In addition, as at the Latest Practicable Date, the trustee holding Shares for The Melco Share Purchase Scheme Trust and The Melco Share Award Scheme Trust held Shares in the Company representing approximately 0.13% of the total voting rights of the Company.

Other than (i) the Lawrence Ho Concert Party; (ii) the Additional Class 6 Presumed Concert Parties and (iii) the trustee of The Melco Share Purchase Scheme Trust and The Melco Share Award Scheme Trust, there are no other parties acting or presumed to be acting in concert with Mr. Lawrence Ho and/or Great Respect who either hold Shares or have dealt for value in the Shares during the Relevant Period.

On conversion of the Convertible Loan Notes in full (prior to the amendments of the Convertible Loan Notes to be effected by the Deed of Amendment), the aggregate shareholding of the Lawrence Ho Concert Party would be increased to approximately 41.48% of the Company's issued share capital and the aggregate shareholding of the Lawrence Ho Concert Party, the Additional Class 6 Presumed Concert Parties and the trustee of The Melco Share Purchase Scheme Trust and The Melco Share Award Scheme Trust would be increased to approximately 41.77% of the Company's issued share capital.

As at the Latest Practicable Date, the Directors hold the following Shares and options to subscribe for Shares:

Name of director of the Company	Existing shareholding in the Company as at the Latest Practicable Date	Number of share options held as at the Latest Practicable Date	Number of unvested awarded Shares under The Melco Share Purchase Scheme Trust held as at the Latest Practicable Date
Mr. Lawrence Ho	7,793,951	1,458,520	318,661
Mr. Tsui Che Yin, Frank	103,104	1,018,000	78,556
Mr. Chung Yuk Man, Clarence	80,884	1,618,000	78,556
Dr. Lo Ka Shui	2,034,000	442,000	38,000
Sir Roger Lobo	34,000	442,000	38,000
Mr. Sham Sui Leung, Daniel	34,000	142,000	38,000
Mr. Ng Ching Wo	34,000	442,000	38,000
Total	**10,113,939**	**5,562,520**	**627,773**

CONVERTIBLE LOAN NOTES

Proposed amendments of the terms of the Convertible Loan Notes

On 16 December 2009, the Company entered into the Deed of Amendment with Great Respect, to amend the terms of the Convertible Loan Notes. The amendments of the terms of the Convertible Loan Notes proposed to be effected by the Deed of Amendment are summarised below:

Revised maturity date : To extend the maturity date, so that it is eight years from the date of issue of the Convertible Loan Notes. The revised maturity date, therefore, would be 4 September 2013.

Revised Conversion Price : To reduce the conversion price, to HK$3.93 per Share to be issued by the Company upon exercise of the conversion rights under the amended Convertible Loan Notes, subject to customary adjustments in, amongst others, the following circumstances:

(a) share consolidation and share subdivision;

(b) issue of shares by way of capitalisation of profits or reserves, other than shares issued in lieu of the whole or a part of a cash dividend;

(c) capital distribution;

(d) issue of shares or options, warrants or other rights to subscribe for shares, by way of rights at less than 95% of the then current market price per share;

(e) issue of other securities by way of rights;

(f) issue of shares other than by way of rights;

(g) issue of shares upon conversion or exchange at less than 95% of the then current market price per share;

(h) modification of rights of conversion, exchange or subscription so that the consideration receivable by the Company is less than 95% of the then current market price per share;

(i) offer for shares; and

(j) other events, where the Company or the noteholders holding not less than 75% in value of the outstanding principal amount of the Convertible Loan Notes determine that an adjustment should be made to the conversion price and an independent accountant certifies that the adjustment proposed to be made would be fair and reasonable. In the event that any adjustment is made to the conversion price pursuant to this item (j), the Company will comply with the applicable requirements of the Listing Rules, as and when appropriate.

For the avoidance of doubt, the adjustment events in respect of the Convertible Loan Notes are not being amended by the Deed of Amendment and are the same as those disclosed in the 22 July 2005 Circular.

Early redemption at the option of the Company : To permit the Company to redeem all or part of the outstanding Convertible Loan Notes in the Company's absolute discretion, at any time prior to the maturity date of the Convertible Loan Notes, at 100% of their principal amount outstanding.

Early redemption at the option of the Noteholder	:	To permit the holder of the Convertible Loan Notes to require the Convertible Loan Notes to be redeemed prior to their maturity in any of the following circumstances: (i) the Lawrence Ho Concert Party ceases to be interested (in aggregate) in at least 30% of the issued shares of the Company, except as a result of disposals of shares by members of the Lawrence Ho Concert Party; (ii) a general offer by way of takeover (other than one proposed by a member of the Lawrence Ho Concert Party or such member's associate or a scheme of arrangement contemplated by (iii) below) is made to all or substantially all the holders of shares in the Company (or all or substantially all such holders other than the offeror and persons acting in concert with the offeror) and such offer becomes or is declared unconditional; or (iii) a privatisation proposal by way of scheme of arrangement (other than one proposed by a member of the Lawrence Ho Concert Party or such member's associate) is made and approved by the necessary numbers of shareholders of the Company at the requisite meetings.

Conditions of the Deed of Amendment

The Deed of Amendment is conditional on, and the proposed amendments thereunder will only become effective subject to:

(a) (unless waived by Great Respect), the grant in terms satisfactory to Great Respect (acting reasonably) by the SFC of a "whitewash" waiver of the general offer obligation of Great Respect which would otherwise arise on exercise of the conversion rights under the amended Convertible Loan Notes in full;

(b) approval of the Deed of Amendment and the issue of new shares on exercise in full of the conversion rights under the Convertible Loan Notes as amended by the Deed of Amendment, by one or more resolutions of the Company's independent shareholders passed at an extraordinary general meeting of the Company;

(c) the Stock Exchange approving the proposed amendments contemplated by the Deed of Amendment pursuant to Rule 28.05 of the Listing Rules; and

(d) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new Conversion Shares.

The Revised Conversion Price

The Revised Conversion Price of HK$3.93 per New Conversion Share was determined after arm's length negotiations between the Company and Great Respect with reference to the recent traded prices of the Shares. The Revised Conversion Price represents:

(i) a premium of approximately 1.81% over the closing price of HK$3.86 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 0.77% over the average of the closing prices of approximately HK$3.90 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 2.00% to the average of the closing prices of approximately HK$4.01 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 60.56% to the Initial Conversion Price; and

(v) a discount of approximately 38.79% to the audited net assets value per Share (calculated based on the net assets attributable to equity holders of the Company as at 31 December 2008 of approximately HK$7,899,505,000 divided by 1,230,258,939 Shares in issue as at the Latest Practicable Date) of approximately HK$6.42 per Share.

The exercise in full of the conversion rights under the amended Convertible Loan Notes, at the Revised Conversion Price, would result in the issue of an aggregate of 298,982,188 Shares, representing approximately 24.30% of the existing issued share capital of the Company (prior to any exercise of the conversion rights under the Convertible Loan Notes) or approximately 19.55% of the diluted share capital of the Company assuming the exercise of the conversion rights under the amended Convertible Loan Notes in full.

Reasons for the proposed amendments of the Convertible Loan Notes

The terms of the Deed of Amendment were agreed following arm's length negotiations between the Company and Great Respect.

Without the extension, the Convertible Loan Notes will be repayable on 4 September 2010. The Board has concluded that the cost of obtaining alternative sources of medium to long term debt funding to repay the amount due to Great Respect when the Convertible Loan Notes mature on 4 September 2010 year would have been very high, and hence would not be in the best interests of the Company and its shareholders. Further, if the maturity date of the Convertible Loan Notes is not extended before the Company publishes its 2009 accounts, the Company will have a going concern issue (since its current liabilities will exceed its current assets) and its accounts may be qualified by its auditors. Accordingly, the

Directors consider that it would be in the best interests of the Company and its Shareholders as a whole to extend the maturity date of the Convertible Loan Notes. The extended maturity date also has the benefit of relieving the immediate funding needs of the Company.

The Company and its Directors acknowledge that, following recent volatility in the financial markets, the Shares have been trading at prices substantially lower than the Initial Conversion Price under the Convertible Loan Notes. In order to achieve the benefits of an extended maturity date under the Convertible Loan Notes, the Company considers that it would be reasonable to agree to reduce the conversion price under the Convertible Loan Notes, to one that is more in line with the current traded prices of the Company's Shares; and that this would be consistent with the commercial rationale underlying the determination of the Initial Conversion Price when the Convertible Loan Notes were originally issued. A future conversion of the Convertible Loan Notes at the Revised Conversion Price would have the benefit of further strengthening the equity capital reserves of the Company and reducing debt levels and the Company's gearing ratio. In connection with the proposed reduction of the conversion price, it is also proposed that the terms of the Convertible Loan Notes will be amended by giving the Company a right to redeem the Convertible Loan Notes at any time prior to their maturity date, at 100% of the principal amount of the Convertible Loan Notes outstanding. The early redemption right would be exercisable by the Company at its discretion.

Mr. Lawrence Ho and Great Respect do not anticipate that the Whitewash Waiver will impact on the continuation of, or cause any major changes to the business (including any redeployment of the fixed assets of the Group) or affect the continued employment of the employees of the Group. Unrelated to the Deed of Amendment or the Whitewash Waiver, however, the Company is currently in discussions relating to the possible disposal of its wholly owned subsidiary, Elixir International Limited, which is a gaming product supplier specialising in the design, development and supply of gaming technologies, including surveillance equipment and other gaming products used in casinos. Those discussions are ongoing and, as at the Latest Practicable Date, no terms have been agreed in relation to any such possible disposal and there is no assurance that those discussions will ultimately result in the terms of such a disposal being agreed.

IMPLICATIONS UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date, none of the conversion rights under the Convertible Loan Notes have been exercised by Great Respect.

If the Deed of Amendment becomes unconditional and the proposed amendments become effective, the total number of Shares which would be issued on exercise in full of the conversion rights under the Convertible Loan Notes would increase from 117,912,694 Shares to 298,982,188 Shares (subject to adjustment in accordance with the amended terms of the Convertible Loan Notes).

The table below shows the issued share capital of the Company (1) as at the Latest Practicable Date and (2) assuming conversion of the amended Convertible Loan Notes in full (but no other changes to the Company's issued share capital):

Name of shareholder	Existing shareholding as at the Latest Practicable Date		Assuming full conversion of the amended Convertible Loan Notes	
	Number of Shares	*Percentage Shareholding*	*Number of Shares*	*Percentage Shareholding*
Mr. Lawrence Ho and entities controlled by him				
Mr. Lawrence Ho	7,793,951	0.63%	7,793,951	0.51%
Better Joy Overseas Ltd.	288,532,606	23.45%	288,532,606	18.87%
Lasting Legend Ltd.	115,509,024	9.39%	115,509,024	7.55%
The L3G Capital Trust	7,294,000	0.59%	7,294,000	0.48%
Mr. Lawrence Ho Group sub-total	**419,129,581**	**34.07%**	**419,129,581**	**27.41%**
Dr. Ho Hung Sun, Stanley	18,587,789	1.51%	18,587,789	1.22%
Lanceford Company Limited	3,127,107	0.25%	3,127,107	0.20%
Madam Lucina Laam King Ying	444,574	0.04%	444,574	0.03%
STDM	222	0.00002%	222	0.00001%
Ms. Ho Daisy Chiu Fung	67,500	0.005%	67,500	0.004%
Great Respect	–	–	298,982,188	19.55%
Lawrence Ho Concert Party sub-total	**441,356,773**	**35.88%**	**740,338,961**	**48.41%**
Additional Class 6 Presumed Concert Parties	**2,319,988**	**0.19%**	**2,319,988**	**0.15%**
Shares held by the trustee on behalf of The Melco Share Purchase Scheme Trust and The Melco Share Award Scheme Trust	**1,601,485**	**0.13%**	**1,601,485**	**0.10%**
Total of (1) Lawrence Ho Concert Party, (2) Additional Class 6 Presumed Concert Parties and (3) Shares held by the trustee on behalf of The Melco Share Purchase Scheme Trust and The Melco Share Award Scheme Trust	**445,278,246**	**36.19%**	**744,260,434**	**48.66%**
Public	784,980,693	63.81%	784,980,693	51.33%
Total	**1,230,258,939**	**100.00%**	**1,529,241,127**	**100.00%**

An application has been made to the SFC under Note 1 on Dispensations from Rule 26 of the Takeovers Code, for the Whitewash Waiver.

The Executive has agreed, subject to approval by a resolution of the Independent Shareholders (which is to be proposed for approval at the EGM), to waive any obligation of Great Respect and Mr. Lawrence Ho to make a mandatory general offer under the Takeovers Code to acquire all of the Shares of the Company other than those already owned by them and persons acting in concert with them, which would otherwise arise on exercise of the conversion rights under the amended Convertible Loan Notes in full.

If the Whitewash Waiver is not approved by a resolution of the Independent Shareholders, Great Respect would be entitled (but not required) to waive that condition under the Deed of Amendment. If it did so, Great Respect would only exercise the conversion rights under the amended Convertible Loan Notes in a manner that would not result in Great Respect incurring an obligation to make a mandatory general offer under the Takeovers Code to acquire all of the Shares of the Company other than those already owned by Great Respect and persons acting in concert with it.

As disclosed in the Announcement, three Directors of the Company were awarded Shares on 17 December 2008 under The Melco Share Purchase Scheme Trust, which are subject to a vesting schedule whereby one-third of the Shares awarded to the relevant Director vested on each of 1 May 2009, 1 August 2009 and 1 November 2009. The Directors and the numbers of Shares involved are as follows:

(a) Mr. Lawrence Ho – 289,998 Shares in total, vesting in three equal tranches on the dates specified above.

(b) Mr. Tsui Che Yin, Frank – a total of 43,998 Shares vesting in three equal tranches on the dates specified above.

(c) Mr. Chung Yuk Man, Clarence – a total of 43,998 Shares vesting in three equal tranches on the dates specified above.

Following the relevant Shares having vested, they were transferred to the relevant Directors by the trustee.

In addition, a further tranche of the Shares awarded to the three Directors on 17 December 2008 under The Melco Share Purchase Scheme Trust will vest on 1 February 2010, as follows:

(a) Mr. Lawrence Ho – 96,666 Shares vesting on 1 February 2010.

(b) Mr. Tsui Che Yin, Frank – 14,666 Shares vesting on 1 February 2010.

(c) Mr. Chung Yuk Man, Clarence – 14,666 Shares vesting on 1 February 2010.

After those Shares have vested, the relevant Directors entitled to the vested Shares can require the trustee of The Melco Share Purchase Scheme Trust to transfer the relevant vested Shares to the Director.

Similarly, an aggregate of 49,665 Shares became vested in respect of awards made on 17 December 2008 to employees of the Group under The Melco Share Award Scheme Trust, on 1 August 2009 and 1 November 2009. Following the relevant Shares having vested, they were transferred to the relevant employees by the trustee. In addition, a total of 49,665 Shares awarded to the employees on 17 December 2008 under The Melco Share Award Scheme Trust will also vest on 1 February 2010. Following those Shares having vested, the relevant employees can require the trustee to transfer the Shares to them.

An application for a ruling has been made to the Executive to (i) confirm whether or not the vesting of those Shares under The Melco Share Purchase Scheme Trust and The Melco Share Award Scheme Trust on 1 August 2009 and 1 November 2009 (and the transfer by the trustee of such vested Shares to the relevant Directors and employees) constitutes disqualifying transactions for the purpose of the Whitewash Waiver application and (ii) seek the Executive's consent to the vesting of the Shares to Directors and employees of the Group on 1 February 2010 and the transfer by the trustee of such vested Shares to the relevant Directors and employees under The Melco Share Purchase Scheme Trust and The Melco Share Award Scheme Trust.

Further details of the awards made to the Directors under The Melco Share Purchase Scheme Trust are set out in Section 4(a)(I)(iii) of Appendix II under the main heading "Disclosure of Interests under the SFO" and the sub-heading "Shares awarded to the Directors pursuant to The Melco Share Purchase Scheme Trust (share incentive award scheme) adopted by the Company on 18 October 2007."

As at the Latest Practicable Date, there are no agreements, arrangements or understandings entered into by Great Respect or Mr. Lawrence Ho to transfer, charge or pledge to any other persons any Conversion Shares which might be issued on conversion of the Convertible Loan Notes and to which the Whitewash Waiver proposal relates.

LISTING RULES IMPLICATIONS

The proposed amendments to the Convertible Loan Notes to be effected by the Deed of Amendment constitute a material change to the terms of the Convertible Loan Notes, the issue of which was originally approved as a connected transaction of the Company under the Listing Rules. Accordingly, the proposed amendments to be effected under the Deed of Amendment are subject to approval, as a connected transaction of the Company under the Listing Rules, by a resolution of the Independent Shareholders to be proposed at the EGM.

Pursuant to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. The Company will apply to the Stock Exchange for its approval of the proposed amendments contemplated by the Deed of Amendment.

The listing approval granted by the Stock Exchange on 15 August 2005 for the listing of and permission to deal in the shares to be issued on conversion of the Convertible Loan Notes only extends to a maximum number of 117,912,694 Conversion Shares. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, 298,982,188 new Conversion Shares (subject to adjustment in accordance with the amended terms of the Convertible Loan Notes) which may be issued by the Company pursuant to the exercise of the conversion rights under the amended Convertible Loan Notes. The listing approval granted by the Stock Exchange on 15 August 2005 would be superseded accordingly.

ONLY INDEPENDENT SHAREHOLDERS WILL VOTE ON THE RESOLUTIONS TO APPROVE THE DEED OF AMENDMENT AND THE WHITEWASH WAIVER

The members of the Lawrence Ho Concert Party, the Additional Class 6 Presumed Concert Parties and the trustee holding Shares for The Melco Share Purchase Scheme Trust and The Melco Share Award Scheme Trust and persons otherwise involved or interested in the Deed of Amendment and the Whitewash Waiver will abstain from voting on the respective resolutions to approve the Deed of Amendment and the Whitewash Waiver, to be proposed at the EGM. In aggregate, as at the Latest Practicable Date, those persons held Shares representing approximately 36.19% of the issued share capital of the Company.

In addition, any connected persons with a material interest in the Deed of Amendment and the Whitewash Waiver and any other Shareholder of the Company with a material interest in the Deed of Amendment and the Whitewash Waiver and such Shareholder's associates are required to abstain from voting on the resolutions approving the Deed of Amendment and the Whitewash Waiver.

APPOINTMENT OF INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An independent committee of the Board comprising its independent non-executive directors (namely, Sir Roger Lobo, Dr. Lo Ka Shui and Mr. Sham Sui Leung, Daniel) has been appointed to advise the Independent Shareholders in relation to the Deed of Amendment and the Whitewash Waiver and whether or not the terms of the Deed of Amendment and the proposed Whitewash Waiver are fair and reasonable and in the interests of the Independent Shareholders as a whole. The remaining non-executive director of the Company, Mr. Ng Ching Wo, is a partner in the law firm which is advising Great Respect in connection with the Deed of Amendment and the Whitewash Waiver. Accordingly, the Company considers that it would not be appropriate for Mr. Ng to serve as a member of the Independent Board Committee.

The Independent Financial Adviser has been appointed (with the approval of the Independent Board Committee) to advise the Independent Board Committee and the Independent Shareholders in respect of the Deed of Amendment and the Whitewash Waiver proposal.

VIEWS OF THE DIRECTORS

The Directors (excluding the independent non-executive directors whose recommendations are set out separately in the letter from the Independent Board Committee on pages 20 to 21 of this circular) are of the view that the terms of the Deed of Amendment and the Whitewash Waiver are fair and reasonable and in the interests of Shareholders of the Company as a whole.

RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 20 to 21 of this circular which contains the recommendations of the Independent Board Committee to the Independent Shareholders concerning the Deed of Amendment and the Whitewash Waiver; and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee set out on pages 22 to 42 of this circular containing its advice to the Independent Board Committee in that regard.

As set out in its letter on pages 20 to 21 of this circular, the Independent Board Committee, having taken into account the advice from the Independent Financial Adviser in relation to the Deed of Amendment and the Whitewash Waiver, considers that the therms of the Deed of Amendment and the proposed Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee has recommended the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Deed of Amendment and the Whitewash Waiver.

The other Directors also recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Deed of Amendment and the Whitewash Waiver.

GENERAL

The Company is principally engaged in: (i) leisure and entertainment; and (ii) property and other investments.

Great Respect is controlled by a discretionary family trust of Dr. Stanley Ho, and beneficiaries of such trust are members of Dr. Stanley Ho's family, including but not limited to Dr. Stanley Ho, Mr. Lawrence Ho and Madam Lucina Laam King Ying. SG Trust (Asia) Ltd. is the trustee of the aforesaid discretionary family trust. The directors of SG Trust (Asia) Ltd are Mr. Olivier Gougeon, Mr. Fung Wai Kai Alex, Mr. Daniel Max Truchi, Mr. Peng Ngiap Luan Luke, Mr. Yeo Kee Soon George and Mr. Baer Pierre Francois Alec. The sole director of Great Respect is TSG Management Limited. The principal business activity of Great Respect is to hold the Convertible Loan Notes.

Your attention is also drawn to the additional information set out in the appendices of this circular.

By order of the Board of
Melco International Development Limited
Tsui Che Yin, Frank
Executive Director

Melco International Development Limited

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

Penthouse
38th Floor
The Centrium
60 Wyndham Street
Central
Hong Kong

20 January 2010

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION – MATERIAL AMENDMENTS TO TERMS OF THE HK$1,175 MILLION CONVERTIBLE LOAN NOTES DUE 2010 UNDER RULE 28.05 OF THE LISTING RULES

APPLICATION FOR A WHITEWASH WAIVER

We have been appointed as members of the Independent Board Committee to advise you in connection with the connected transaction under the Listing Rules arising as a result of the Deed of Amendment having been entered into and the related Whitewash Waiver application under the Takeovers Code, details of each of which are set out in the "Letter from the Board" in the Company's circular dated 20 January 2010 (the "**Circular**"), of which this letter forms part. Terms used in this letter have the same meanings as defined in the said circular unless the context otherwise requires.

We wish to draw your attention to the letter of advice from the Independent Financial Adviser as set out on pages 22 to 42 of the Circular, which contains its advice and recommendation to us as to whether or not the connected transaction under the Listing Rules arising as a result of the Deed of Amendment having been entered into and the Whitewash Waiver proposed under the Takeovers Code are fair and reasonable and in the interests of the Independent Shareholders in respect of those transactions as a whole, as well as the principal factors and reasons for its advice and recommendation. We also wish to draw your attention to the letter from the Board set out on pages 5 to 19 of the Circular and the additional information set out in the appendices to the Circular.

Having considered, amongst other matters, the factors and reasons considered by the Independent Financial Adviser, and the opinions, advice and recommendations of the Independent Financial Adviser, all as set out in its aforementioned letter of advice, we are of the opinion that the connected transaction under the Listing Rules arising as a result of the Deed of Amendment having been entered into and the Whitewash Waiver proposal under the Takeovers Code are each fair and reasonable so far as the Independent Shareholders in respect of those transactions are concerned. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the connected transaction under the Listing Rules arising as a result of the Deed of Amendment having been entered into and the grant of the Whitewash Waiver under the Takeovers Code.

Yours faithfully,
For and on behalf of
the Independent Board Committee
Sir Roger Lobo **Dr. Lo Ka Shui** **Mr. Sham Sui Leung, Daniel**
Independent Non-executive Directors

The following is the full text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of inclusion in this circular:

信達國際融資有限公司
CINDA INTERNATIONAL CAPITAL LIMITED
45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

20 January 2010

To the Independent Board Committee and the Independent Shareholders of
Melco International Development Limited

Dear Sir/Madam,

CONNECTED TRANSACTION – MATERIAL AMENDMENTS TO TERMS OF THE HK$1,175 MILLION CONVERTIBLE LOAN NOTES DUE 2010 UNDER RULE 28.05 OF THE LISTING RULES

APPLICATION FOR A WHITEWASH WAIVER

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Whitewash Waiver and whether or not the terms of the Deed of Amendment are fair and reasonable and in the interests of the Independent Shareholders as a whole, details of which are set out in the Letter from the Board (the "**Letter from the Board**") contained in the circular (the "**Circular**") of the Company to the Shareholders dated 20 January 2010, of which this letter forms part. Terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

On 16 December 2009, the Company entered into the Deed of Amendment with Great Respect, to amend the terms of the Convertible Loan Notes which were issued by the Company of HK$1,175 million in principal amount to Great Respect as consideration for the Acquisition in 2005. The proposed amendments to the Convertible Loan Notes to be effected by the Deed of Amendment constitute a material change to the terms of the Convertible Loan Notes, the issue of which was originally approved as a connected transaction of the Company under the Listing Rules. Accordingly, the proposed amendments to be effected under the Deed of Amendment are subject to approval, as a connected transaction of the Company under the Listing Rules, by the Independent Shareholders at an extraordinary general meeting to be convened.

An application has been made to the SFC under Note 1 on Dispensations from Rule 26 of the Takeovers Code, for a waiver of the mandatory general offer obligation of Great Respect and Mr. Lawrence Ho under the Takeovers Code to acquire all of the Shares of the Company other than those already owned by them and persons acting in concert with them, which would otherwise arise on exercise of the conversion rights under the amended Convertible Loan Notes in full. Any such Whitewash Waiver would only be granted by the SFC subject to it first being approved by a resolution of the Independent Shareholders in general meeting. The Deed of Amendment and the proposed amendments thereunder are conditional on, among other conditions, the grant in terms satisfactory to Great Respect (acting reasonably) by the SFC of the Whitewash Waiver. However, if the Whitewash Waiver is not granted, Great Respect would be entitled (but not required) to waive the said condition under the Deed of Amendment. If it did so, Great Respect would only exercise the conversion rights under the amended Convertible Loan Notes in a manner that would not result in Great Respect incurring an obligation to make a mandatory general offer under the Takeovers Code to acquire all of the Shares of the Company other than those already owned by Great Respect and persons acting in concert with it.

Pursuant to Note 1 of the Notes on Dispensations from Rule 26 of the Takeovers Code and Rule 14A.18 of the Listing Rules, (i) the members of the Lawrence Ho Concert Party, the Additional Class 6 Presumed Concert Parties and the trustee holding Shares for The Melco Share Purchase Scheme Trust and The Melco Share Award Scheme Trust and persons otherwise involved or interested in the Deed of Amendment and the Whitewash Waiver and (ii) any connected persons with a material interest in the Deed of Amendment and the Whitewash Waiver and any other Shareholder of the Company with a material interest in the Deed of Amendment and the Whitewash Waiver and such Shareholder's associates will be required to abstain from voting for the approval in respect of the Deed of Amendment and the Whitewash Waiver at the EGM.

The Independent Board Committee comprising the Company's independent non-executive directors (namely, Sir Roger Lobo, Dr. Lo Ka Shui and Mr. Sham Sui Leung, Daniel) has been appointed to advise the Independent Shareholders in relation to the Deed of Amendment and the Whitewash Waiver and whether or not the terms of the Deed of Amendment and the proposed Whitewash Waiver are fair and reasonable and in the interests of the Independent Shareholders as a whole. The remaining non-executive director of the Company, Mr. Ng Ching Wo, is a partner in the law firm which is advising Great Respect in connection with the Deed of Amendment and the Whitewash Waiver. Accordingly, the Company considers that it would not be appropriate for Mr. Ng to serve as a member of the Independent Board Committee. Our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee.

BASIS OF OUR ADVICE

In arriving at our recommendation, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Directors and the management of the Company for which they are solely responsible, are true and accurate as at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statements in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group and Great Respect.

PRINCIPAL FACTORS TAKEN INTO ACCOUNT

The principal factors and reasons that we have taken into consideration in arriving at our opinion are set out as follows:

1. Background of the Deed of Amendment

The Company issued the Convertible Loan Notes amounting HK$1,175 million due 2010 in 2005 to Great Respect as consideration for the acquisition by the Company's subsidiary of an interest in a joint venture relating to a parcel of land located on the Cotai Strip in Macau. The principal terms of the Convertible Loan Notes are disclosed in the Letter from the Board.

Up to the Latest Practicable Date, none of the conversion rights under the Convertible Loan Notes have been exercised by Great Respect. Considering the Convertible Loan Notes will be due on 4 September 2010 and the recent market price of the Shares is significantly below the Initial Conversion Price, the Board is of the view that Great Respect is not likely to exercise its conversion rights under the Convertible Loan Notes and hence the Group has to repay the Convertible Loan Notes when become due if there is no amendment to the terms of the Convertible Loan Notes. As such, the Company entered into the Deed of Amendment with Great Respect on 16 December 2009 to amend the terms of the Convertible Loan Notes.

2. Financial position of the Group

The Group is principally engaged in the provision of catering, entertainment, gaming and related services, gaming technology consultation services in Macau, development and sale of financial trading and settlement systems in Asia, and property investments and other investments. Based on the information set out in the annual report of the Company for the year ended 31 December 2007 ("**2007 Annual Report**"), 31 December 2008 ("**2008 Annual Report**") and the interim report of the Company for the six months ended 30 June 2009 ("**2009 Interim Report**"), the financial positions of the Company as at 31 December 2006, 2007, 2008 and 30 June 2009 are summarised as follows:

	As at 30 June 2009	**As at 31 December 2008**	**As at 31 December 2007**	**As at 31 December 2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Audited)	(Audited)	(Audited)
Current assets	1,092,459	888,154	1,612,591	2,646,599
Non-current assets	8,255,744	9,518,027	10,701,588	6,698,028
Total assets	9,348,203	10,406,181	12,314,179	9,344,627
Current liabilities	727,172	826,198	638,070	419,153
Non-current liabilities	1,428,616	1,654,443	1,334,566	1,263,996
Total liabilities	2,155,788	2,480,641	1,972,636	1,683,149
Equity attributable to equity holders of the Company	7,165,853	7,899,505	10,319,113	7,567,107
Share options reserve of a subsidiary	–	–	–	265
Minority interests	26,562	26,035	22,430	94,106
Cash and cash equivalents	116,775	239,875	308,865	1,209,826

Comparison between 31 December 2007 and 31 December 2006

The total assets of the Group increased from approximately HK$9,344.6 million as at 31 December 2006 to approximately HK$12,314.2 million as at 31 December 2007. The increase in total assets was mainly attributable to the increase in interests in associates from approximately HK$5,802.6 million as at 31 December 2006 to approximately HK$8,689.3 million as at 31 December 2007. Save as the increase in interests in associates, the increase in non-current assets was attributable to the pledged bank deposits amounting approximately HK$972.5 million arisen in the year ended 31 December 2007.

Comparison between 31 December 2008 and 31 December 2007

The total assets of the Group decreased from approximately HK$12,314.2 million as at 31 December 2007 to approximately HK$10,406.2 million as at 31 December 2008. The decrease in total assets was mainly attributable to the decrease in interests in associates from approximately HK$8,689.3 million as at 31 December 2007 to approximately HK$7,126.7 million as at 31 December 2008. The total liabilities of the Group increased from approximately HK$1,972.6 million as at 31 December 2007 to approximately HK$2,480.6 million as at 31 December 2008. The increase in total liabilities of the Group was mainly attributable to the increase in the current and non-current portion of trade payables from approximately HK$162.5 million as at 31 December 2007 to approximately HK$391.3 million as at 31 December 2008 and the additional bank borrowings (due after one year) amounting approximately HK$216.6 million during the year ended 31 December 2008.

Comparison between 30 June 2009 and 31 December 2008

The increase in current assets as at 30 June 2009 comparing with 31 December 2008 was mainly attributable to the increase in bank deposits with original maturity over three months from approximately HK$164.9 million as at 31 December 2008 to approximately HK$465.7 million as at 30 June 2009 while the decrease in non-current assets was mainly attributable to the reduction of interests in associates from approximately HK$7,126.7 million as at 31 December 2008 to approximately HK$6,455.6 million as at 30 June 2009 and the decrease in pledged bank deposits from approximately HK$972.5 million as at 31 December 2008 to approximately HK$295.6 million as at 30 June 2009.

We note that the unaudited cash and cash equivalents of the Group only amounted approximately HK$116.8 million and the unaudited net current assets of the Group only amounted approximately HK$365.3 million as at 30 June 2009. Given the Convertible Loan Notes amounted to HK$1,175 million, the Group may need to raise additional funds to repay the Convertible Loan Notes due in September 2010 in the event that the conversion rights attached thereto are not exercised and no amendment is made to the terms of the Convertible Loan Notes. As such, we are of the view that it is in the interests of the Group to restructure the terms of the Convertible Loan Notes and/or identify alternative source(s) of funding to repay the Convertible Loan Notes.

3. Financial performance of the Group

The following sets out the financial performance of the Group for the three years ended 31 December 2008 and the six months ended 30 June 2009 based on the 2009 Interim Report, 2008 Annual Report and 2007 Annual Report.

	For the six months ended 30 June 2009 *HK$'000* (Unaudited)	For the year ended 31 December 2008 *HK$'000* (Audited)	For the year ended 31 December 2007 *HK$'000* (Audited)	For the year ended 31 December 2006 *HK$'000* (Audited)
Revenue	498,527	690,862	1,015,521	800,609
Profit/(loss) for the period/year	(811,363)	(2,353,214)	2,668,663	2,759,981
Attributable to:				
Equity holders of the Company	(811,890)	(2,356,819)	2,690,639	2,836,755
Minority interests	527	3,605	(21,976)	(76,774)

For the year ended 31 December 2006

The audited revenue of the Group for the year ended 31 December 2006 was approximately HK$800.6 million. The audited profit attributable to the equity holders of the Company for the year ended 31 December 2006 amounted to approximately HK$2,836.8 million. The profit was mainly attributable to gain on deemed disposal of interests in jointly controlled entities amounting approximately HK$3,102.3 million. At the end of year 2006, Melco PBL Entertainment (Macau) Limited (which was later renamed and now known as Melco Crown Entertainment Limited) ("Melco Crown Entertainment") has been listed on the NASDAQ through the issuance of the American Depositary Shares ("ADS") resulting in a deemed disposal of jointly controlled entities of the Group. As a result of this deemed disposal, Melco Crown Entertainment became an associate and the Group recognised a gain of approximately HK$3,102.3 million with reference to the Group's share of net assets of Melco Crown Entertainment immediately before and after the listing of the ADS.

For the year ended 31 December 2007

The audited revenue of the Group for the year ended 31 December 2007 was approximately HK$1,015.5 million. The audited profit attributable to the equity holders of the Company for the year ended 31 December 2007 amounted to approximately HK$2,690.6 million. The profit was mainly attributable to (i) gain on deemed disposal of partial interests in associates amounting to approximately HK$1,549.4 million due to the underwriters of the global offering of ADS of Melco Crown Entertainment fully exercised the over allotment option granted to them in January 2007 and Melco Crown Entertainment completed a second offering of ADS in November 2007; (ii) the receipt of the agency fee amounting approximately HK$1,232.1 million under a Products Participation Agreement ("PPA") entered into between the Group and US-listed VendingData Corporation (which was later renamed and now known as Elixir Gaming Technologies Inc.) ("EGT") in June 2007. According to the terms of the PPA, the Group 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 Group's services, EGT, after obtaining its shareholders approval for the transaction in September 2007, has allotted and issued securities (including shares and warrants) to the Group. As a result, an agency fee income of HK$1,232.1 million is recognised; (iii) an one-off gain on disposal of interests in jointly controlled entities amounting to approximately HK$532.6 million; and (iv) an increase in fair value of derivative financial instruments amounting to approximately HK$190.1 million regarding the warrants of EGT was recognised in the consolidated income statement.

For the year ended 31 December 2008

The audited revenue of the Group for the year ended 31 December 2008 was approximately HK$690.9 million. The audited loss attributable to the equity holders of the Company for the year ended 31 December 2008 amounted to approximately HK$2,356.8 million. The loss was mainly attributable to (i) impairment loss recognized in respect of interests in two associates, namely, EGT and Melco China Resorts (Holding) Limited ("MCR"), amounting approximately HK$1,160.8 million with reference to the recoverable amount. 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; (ii) the share of losses of associates amounting to approximately HK$387.2 million. One of the associates, namely Power Way Group Limited, reported loss attributable to the Group of approximately HK$260.3 million, which 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; (iii) a decrease in fair value of derivative financial instruments of approximately HK$227.7 million, which was made up of a decrease in fair value of the warrants of EGT amounting to approximately HK$223.6 million and a decrease in fair value of warrants of MCR amounting to approximately HK$4.1 million; (iv) a decrease in fair value of the Group's investment in convertible loan note of MelcoLot Limited amounting to approximately HK$206.4 million; and (v) the impairment loss recognized in respect of available-for-sale investments amounting to 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.

For the six months ended 30 June 2009

The unaudited revenue of the Group for the six months ended 30 June 2009 was approximately HK$498.5 million with over HK$400 million contributed from its technology related business. The unaudited loss attributable to the equity holders of the Company for the six months ended 30 June 2009 was approximately HK$811.9 million which was attributable to (i) the loss on changes in interests in associates amounting to approximately HK$176.4 million due to the Group's ownership interest in Melco Crown Entertainment, decreased from 37.8% to 34.1%, as a result of a follow-on public offering of shares of Melco Crown Entertainment and the vesting of certain restricted shares issued by Melco Crown Entertainment, (ii) the share of loss of a jointly controlled entity amounting to approximately HK$155.4 million, and (iii) the share of losses of associates amounting to approximately HK$511.7 million. The Group's share of losses of associates resulting from Melco Crown Entertainment reported approximately HK$475.0 million. The year-over-year decrease in net revenue of Melco Crown Entertainment was primarily driven by lower rolling chip volume at Altira Macau in the first six months of 2009 as compared to the same period in 2008 and lower rolling chip hold percentage in the first six months of 2009 as compared to the same period in 2008.

We discussed with the management of the Company for the financing alternatives to repay the outstanding Convertible Loan Notes and noted that the Company conducted preliminary discussions with certain financial institutions regarding medium to long term debt financing for the purpose of repayment of the outstanding Convertible Loan Notes but the terms discussed are less favourable comparing with the terms under the Deed of Amendment.

Given the recent financial performance of the Group, in particular, the losses recorded by the Group for the year ended 31 December 2008 and the six months ended 30 June 2009 and the terms of long term debt financing discussed between the Company and certain financial institutions, we concur with the Board's view that the cost of obtaining alternative sources of medium to long term debt funding to repay the amount due to Great Respect when the Convertible Loan Notes mature this year would have been very high which is not in the interests of the Company and the Shareholders. As such, we consider the amendment of the terms of the Convertible Loan Notes is a feasible way to resolve the funding need when the Convertible Loan Notes become due.

4. Overview of the gaming industry in Macau

According to the latest figures released by the Gaming Inspection and Coordination Bureau of Macau SAR, despite the global financial crisis, the gross revenue from gaming activities of Macau has recorded approximately MOP109,826 million in 2008, showing a growth of 30.98% compared with the previous year. For the first three quarters ended 30 September 2009, the gross revenue from gaming activities of Macau amounted to approximately MOP83,907 million, representing a decrease of 1.83% as compared to the corresponding period in 2008.

According to the statistics from the Statistics and Census Service of the Macao SAR Government, in 2008, the number of visitor arrivals decreased by 15.07% to 22,933,300. The number of visitor arrivals in the first eleven months ended 30 November 2009 fell by 6.2% year-on-year to 19,716,894.

In May and July 2008, the Chinese Government readjusted its visa policy toward Macau and limited the number of visits that some mainland Chinese citizens may make to Macau in a given time period. In addition, in May 2009, the PRC also began to restrict the operation of "below-cost" tour groups involving low up-front payments and compulsory shopping which affected the tours to Macau.

Based on (i) the gross gaming revenue and visitor fluctuation in 2008 and 2009; and (ii) the current restrictions imposed by the Chinese Government which affect the gaming industry in Macau, we are of the view that the gaming industry outlook in Macau is uncertain.

5. Reasons for and benefits of the Deed of Amendment

The terms of the Deed of Amendment were agreed following arm's length negotiations between the Company and Great Respect.

Without the extension, the Convertible Loan Notes will be repayable on 4 September 2010. The Board has concluded that the cost of obtaining alternative sources of medium to long term debt funding to repay the amount due to Great Respect when the Convertible Loan Notes mature this year would have been very high, and hence would not be in the best interests of the Company and its Shareholders. Further, if the maturity date of the Convertible Loan Notes is not extended before the Company publishes its 2009 accounts, the Company will have a going concern issue (since its current liabilities will exceed its current assets) and its accounts may be qualified by its auditors. Accordingly, the Directors consider that it would be in the best interests of the Company and its Shareholders as a whole to extend the maturity date of the Convertible Loan Notes. The extended maturity date also has the benefit of relieving the immediate funding needs of the Company.

The Company and its Directors acknowledge that, following recent volatility in the financial markets, the Shares have been trading at prices substantially lower than the Initial Conversion Price under the Convertible Loan Notes. In order to achieve the benefits of an extended maturity date under the Convertible Loan Notes, the Company considers that it would be reasonable to agree to reduce the conversion price under the Convertible Loan Notes, to one that is more in line with the current traded prices of the Company's Shares; and that this would be consistent with the commercial rationale underlying the determination of the Initial Conversion Price when the Convertible Loan Notes were originally issued. A future conversion of the Convertible Loan Notes at the Revised Conversion Price would have the benefit of further strengthening the equity capital reserves of the Company and reducing debt levels and the Company's gearing ratio. In connection with the proposed reduction of the conversion price, it is also proposed that the terms of the Convertible Loan Notes will be amended by giving the Company a right to redeem all or part of the Convertible Loan Notes at any time prior to their maturity date, at 100% of the principal amount of the Convertible Loan Notes outstanding together with any interest accrued thereon up to the date of redemption. The early redemption right would be exercisable by the Company at its discretion. This implies when the market price of the Shares is higher than the Revised Conversion Price and the Company has sufficient financial resources, the Company may exercise its discretion to redeem all or part of the Convertible Loan Notes so as to reduce the shareholding dilution arisen from the possible conversion of the rights attached to the Convertible Loan Notes which we consider is in the interests of the Company and the Shareholders as a whole.

Based on the aforesaid and taking into account that, in particular, (i) the cost of obtaining alternative sources of medium to long term debt funding to repay the amount due to Great Respect when the Convertible Loan Notes mature this year would have been very high; (ii) the Company will have a going concern issue in the event that the maturity date of the Convertible Loan Notes is not extended before the issue of the Group's 2009 audited accounts; (iii) the conversion of the Convertible Loan Notes at the Revised Conversion Price would have the benefit of further strengthening the equity capital reserves of the Company and reducing debt levels and the Company's gearing ratio; (iv) the Company may exercise its discretion to redeem all or part of the Convertible Loan Notes so as to reduce the shareholding dilution as appropriate; and (v) the uncertainty of the gaming industry outlook in Macau as stated in the paragraph headed "Overview of the gaming industry in Macau" above, we concur with the Directors that the entering into of the Deed of Amendment is fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole.

6. Terms of the Deed of Amendment

As set out in the Letter from the Board, the proposed amendments of the terms of the Convertible Loan Notes which were issued by the Company of HK$1,175 million in principal amount to Great Respect as consideration for the Acquisition in 2005 are summarized below:

Revised maturity date : To extend the maturity date, so that it is eight years from the date of issue of the Convertible Loan Notes. The revised maturity date, therefore, would be 4 September 2013.

Revised Conversion Price : To reduce the conversion price, to HK$3.93 per Share to be issued by the Company upon exercise of the conversion rights under the amended Convertible Loan Notes, subject to customary adjustments in, amongst others, the following circumstances:

(a) share consolidation and share subdivision;
(b) issue of shares by way of capitalization of profits or reserves other than shares issued in lieu of the whole or a part of a cash dividend;
(c) capital distribution;
(d) issue of shares or options, warrants or other rights to subscribe for shares, by way of rights at less than 95% of the then current market price per share;

(e) issue of other securities by way of rights;

(f) issue of shares other than by way or rights;

(g) issue of shares upon conversion or exchange at less than 95% of the then current market price per share;

(h) modification of rights of conversion, exchange or subscription so that the consideration receivable by the Company is less than 95% of the then current market price per share;

(i) offer for shares; and

(j) other events, where the Company or the noteholders holding not less than 75% in value of the outstanding principal amount of the Convertible Loan Notes determine that an adjustment should be made to the conversion price and an independent accountant certifies that the adjustment proposed to be made would be fair and reasonable. In the event that any adjustment is made to the conversion price pursuant to this item (j), the Company will comply with the applicable requirements of the Listing Rules, as and when appropriate.

For the avoidance of doubt, the adjustment events in respect of the Convertible Loan Notes are not being amended by the Deed of Amendment and are the same as those disclosed in the 22 July 2005 Circular.

Early redemption at the option of the Company	:	To permit the Company to redeem all or part of the outstanding Convertible Loan Notes in the Company's absolute discretion, at any time prior to the maturity date of the Convertible Loan Notes, at 100% of their principal amount outstanding.
Early redemption at the option of the Noteholder	:	To permit the holder of the Convertible Loan Notes to require the Convertible Loan Notes to be redeemed prior to their maturity in any of the following circumstances:

(i) the Lawrence Ho Concert Party ceases to be interested (in aggregate) in at least 30% of the issued shares of the Company, except as a result of disposals of shares by members of the Lawrence Ho Concert Party;

(ii) a general offer by way of takeover (other than one proposed by a member of the Lawrence Ho Concert Party or such member's associate or a scheme of arrangement contemplated by (iii) below) is made to all or substantially all the holders of shares in the Company (or all or substantially all such holders other than the offeror and persons acting in concert with the offeror) and such offer becomes or is declared unconditional; or

(iii) a privatisation proposal by way of scheme of arrangement (other than one proposed by a member of the Lawrence Ho Concert Party or such member's associate) is made and approved by the necessary numbers of shareholders of the Company at the requisite meetings.

As stated in the Letter from the Board, the Revised Conversion Price of HK$3.93 per New Conversion Share was determined after arm's length negotiations between the Company and Great Respect with reference to the recent traded prices of the Shares. The Revised Conversion Price represents:

(i) a premium of approximately 1.81% over the closing price of HK$3.86 per Share as quoted on the Stock Exchange on the Last Trading Date;

(ii) a premium of approximately 0.77% over the average of the closing prices of approximately HK$3.90 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Date;

(iii) a discount of approximately 2.00% to the average of the closing prices of approximately HK$4.01 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Date;

(iv) a discount of approximately 60.56% to the Initial Conversion Price; and

(v) a discount of approximately 38.79% to the audited net assets value per Share (calculated based on the net assets attributable to equity holders of the Company as at 31 December 2008 of approximately HK$7,899,505,000 divided by 1,230,258,939 Shares in issue as at the Latest Practicable Date) of approximately HK$6.42 per Share.

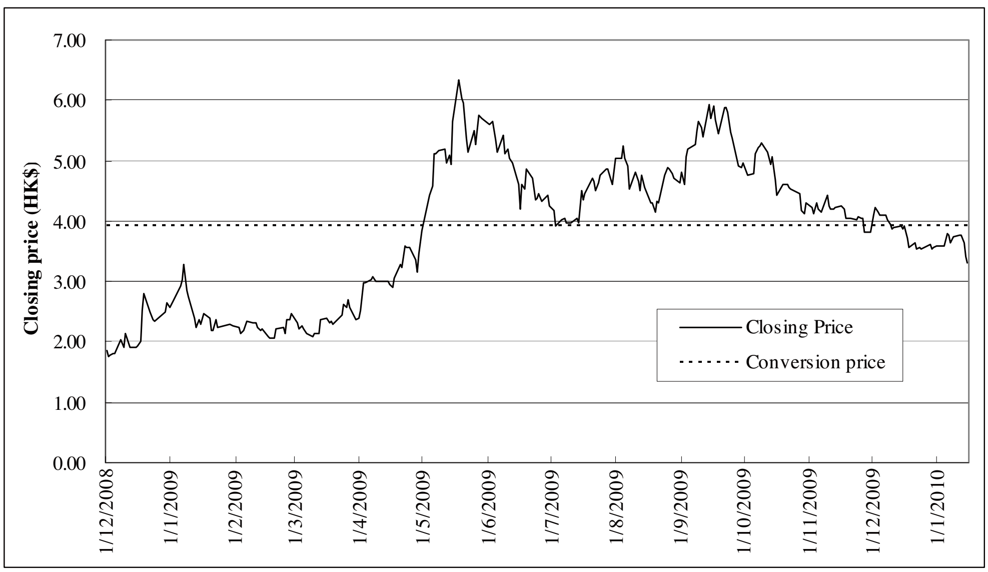
7. Evaluation of the terms of the Deed of Amendment

(a) The Revised Conversion Price

To assess the fairness and reasonableness of the Revised Conversion Price, we set out the following informative analysis for illustrative purpose:

(i) Review on Share price performance

The following diagram illustrates the daily historical closing prices of the Shares traded on the Stock Exchange from 1 December 2008 up to and including the Latest Practicable Date (the "**Review Period**"):



Source: http://www.hkex.com.hk

As shown in the chart above, the closing price of the Shares was in general on an increasing trend from the lowest point of HK$1.76 on 2 December 2008 to the highest point of HK$6.35 on 18 May 2009 during the Review Period. The trading of the Shares was suspended from 3:34 p.m. on 28 April 2009, pending the publication of an announcement regarding a follow-on public offering of Melco Crown Entertainment. Trading in the Shares was resumed at 9:30 a.m. on 29 April 2009. On 13 May 2009, the Company published an overseas regulatory announcement in relation to the release date of the Melco Crown Entertainment's first quarter results for 2009. After the highest point recorded on 18 May 2009, the closing price of the Shares declined to a low point of HK$3.93 on 3 July 2009 and reached a high point of HK$5.92 on 14 September 2009 and declined gradually thereafter. We note that the average of the closing price of the Shares during the Review Period was approximately HK$3.83, which is slightly below the Revised Conversion Price. We also note that the

Shares have closed on or above the Revised Conversion Price on 152 trading days, representing approximately 54.29% of the 280 trading days during the Review Period.

(ii) Review on trading liquidity of the Shares

The table below set out the trading volume of the Shares during the Review Period:

	Total trading volume for the month/period	Average daily trading volume for the month/period *(Note 1)*	Percentage of average daily trading volume to total number of Shares in issue as at the Latest Practicable Date *(Note 2)*	Percentage of average daily trading volume to total number of Shares held by public Shareholders as at the Latest Practicable Date *(Note 3)*
2008				
December	261,714,280	12,462,585	1.01%	1.59%
2009				
January	198,816,611	11,045,367	0.90%	1.41%
February	148,472,712	7,423,636	0.60%	0.95%
March	127,185,230	5,781,147	0.47%	0.74%
April	396,686,298	19,834,315	1.61%	2.53%
May	362,517,175	19,079,851	1.55%	2.43%
June	347,579,448	15,799,066	1.28%	2.01%
July	279,746,685	12,715,758	1.03%	1.62%
August	276,611,428	13,171,973	1.07%	1.68%
September	316,187,862	14,372,176	1.17%	1.83%
October	235,884,557	11,794,228	0.96%	1.50%
November	181,908,349	8,662,302	0.70%	1.10%
December (up to and including the Last Trading Date)	86,203,382	7,836,671	0.64%	1.00%
December (after the Last Trading Date)	52,174,999	4,743,182	0.39%	0.60%
2010				
January (up to and including the Latest Practicable Date)	73,971,000	9,246,375	0.75%	1.18%

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the relevant month/period which exclude any trading day on which trading of Shares on the Stock Exchange was suspended for the whole trading days.

2. Based on 1,230,258,939 Shares in issue as at the Latest Practicable Date.

3. Based on 784,980,693 Shares held by the public Shareholders as at the Latest Practicable Date.

As illustrated in the table above, we noted that the liquidity of the Shares was generally thin during the Review Period. The average daily trading volume of the Shares in each month from December 2008 to November 2009 ranged from 5,781,147 Shares to approximately 19,834,315 Shares, representing approximately 0.47% and 1.61% respectively of the total number of Shares in issue as at the Latest Practicable Date, and approximately 0.74% and 2.53% respectively of the total number of Shares held by the public Shareholders as at the Latest Practicable Date.

(iii) Comparable analysis

We have reviewed the reference of the conversion price to the various closing prices of all issuance of convertible notes or bonds announced by other gaming sector companies listed on the Stock Exchange (the "Comparables") during the last 12 months preceding the Last Trading Date. We believe that the Comparables may reflect the recent trend of the terms of convertible notes or bonds in the market. To the best of our knowledge and as far as we are aware of, we found an exhaustive list of 2 Comparables which met the said criteria. The table below summarises our findings:

Company name (stock code)	Date of announcement	Maturity	Interest rate	Redemption premium	Premium/ (discount) of conversion price over/to the closing price of the shares as at the last trading day prior to the release of the relevant announcement	Premium/ (discount) of conversion price over/to the five-day average closing prices of the shares as at the last trading day prior to the release of the relevant announcement
		year	*%*	*%*	*%*	*%*
Neptune Group Limited (70)	17 Jul 2009 and 8 Sep 2009	3	0	0	(5.65)	(7.87)
SJM Holdings Limited (880)	24 Sep 2009	6	0	12.68	20.00	17.40
The Company	**16 Dec 2009**	**8**	**0**	**0**	**1.81**	**0.77**

We note from the table above that the Revised Conversion Price represented a premium of approximately 1.81% over the closing price of the Shares on the Last Trading Date and a premium of approximately 0.77% over the five-day average closing prices of the Shares up to and including the Last Trading Date, which are higher than those of Neptune Group Limited. We also note that the premiums implied by the Revised Conversion Price over the closing price of the Shares on the Last Trading Date and the five-day average closing prices of the Shares up to and including the Last Trading Date are lower than those of SJM Holdings Limited ("SJM"). Nevertheless, as set out in the relevant announcement of SJM, unless previously redeemed, converted or purchased and cancelled as provided therein, the SJM and/or its subsidiary will redeem each convertible bond at 112.68% of its principal amount on the maturity date. Given there is no redemption premium under the Convertible Loan Notes, we are of the view that the Revised Conversion Price, which is with reference to the market price of the Shares, is acceptable.

We discussed with the management of the Company regarding the Revised Conversion Price and were given the understanding that the Revised Conversion Price was determined after arm's length negotiations between the Company and Great Respect with reference to the recent traded prices of the Shares prior to the entering into the Deed of Amendment. We understand the holder of the Convertible Loan Notes would be unlikely to exercise its conversion rights given that the prevailing market price is substantially lower than the Initial Conversion Price of HK$9.965 per Share and the Company is unable to redeem the Convertible Loan Notes considering its current financial position. Therefore, lowering the conversion price of the Convertible Loan Notes would be beneficial to both the Company and the Convertible Loan Notes holder. We consider that the holder of the Convertible Loan Notes will only exercise its conversion rights when the market price of the Shares is similar or higher than the Revised Conversion Price. However, if the revised conversion price sets below the market price of the Shares, although the chance of the holder of the Convertible Loan Notes to exercise its conversion rights of the Convertible Loan Notes will be increased, the dilution effect to the existing Shareholders will increase with lowering the revised conversion price which is not in the interests of the Shareholders. To strike the balance between the financial position of the Company and the interests of the Shareholders, we consider that the determination of the Revised Conversion Price with reference to the recent market price prior to the entering into the Deed of Amendment would be fair and reasonable so far as the Company and its Shareholders are concerned.

Despite the Revised Conversion Price of HK$3.93 per New Conversion Share represents a discount of approximately 38.79% to the latest published audited net assets per Share of approximately HK$6.42 as at 31 December 2008, having considered that (i) it is unlikely that the holder of the Convertible Loan Notes would exercise its conversion rights given that the prevailing market price is substantially lower than the Initial Conversion Price of HK$9.965 per Share and the Company is unable to redeem the Convertible Loan Notes considering its current financial position; (ii) the reduction in proposed conversion price of the Convertible Loan Notes from HK$9.965 per Share to HK$3.93 per Share under the Convertible Loan Notes will enhance the possibility of the holder of the Convertible Loan Notes to exercise the conversion rights so as to reduce the liability level of the Company;

(iii) the slight premium represented by the Revised Conversion Price over the closing price of the Shares on the Last Trading Date and the average closing price of the Shares for the last five trading days up to and including the Last Trading Date; (iv) the Revised Conversion Price is comparable to all issuance of convertible notes or bonds announced by other gaming sector companies listed on the Stock Exchange during the last 12 months preceding the Last Trading Date; (v) the determination of the Revised Conversion Price with reference to the recent market price prior to the entering into the Deed of Amendment strikes the balance between the chance of exercise of conversion rights and shareholding dilution effect; (vi) the Shares have been traded below (at least 1.09% based on the highest closing price of the Shares of HK$6.35 as at 18 May 2009) the audited net asset value per Share as at 31 December 2008 during the Review Period; (vii) the Group recorded losses in the year ended 31 December 2008 and the six months ended 30 June 2009 as stated in the paragraph headed "Financial performance of the Group" above; and (viii) the uncertainty of the gaming industry outlook in Macau as stated in the paragraph headed "Overview of the gaming industry in Macau" above, we consider that the Revised Conversion Price is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(b) The Revised maturity date

Pursuant to the Deed of Amendment, the maturity date has been extended to 4 September 2013. Given that the Convertible Loan Notes do not bear any interest and the early redemption option of the Convertible Loan Notes available to the Company, we consider the extension of maturity of the Convertible Loan Notes provides more flexibility for the Company in order to relieve the immediate funding needs and hence loosen the current financial position of the Company which is in the interests of the Company and the Independent Shareholders.

Given (i) the slight premium presented by the Revised Conversion Price over the closing prices of the Shares on the Last Trading Date, and the five consecutive trading days up to and including the Last Trading Date; (ii) the Revised Conversion Price is comparable to all issuance of convertible notes or bonds announced by other gaming sector companies listed on the Stock Exchange during the last 12 months preceding the Last Trading Date; (iii) the revised maturity provides more flexibility for the Company in order to relieve the immediate funding needs; (iv) when the market price of the Shares is higher than the Revised Conversion Price and the Company has sufficient financial resources, the Company may exercise its discretion to redeem all or part of the Convertible Loan Notes so as to reduce the shareholding dilution arisen from the possible conversion of the rights attached to the Convertible Loan Notes; and (v) the interest rate of the Convertible Loan Note will remain as zero, we are of the view that the terms of the Deed of Amendment are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

8. Dilution of the shareholding interests in the Company

The table below shows the issued share capital of the Company (1) as at the Latest Practicable Date; and (2) assuming conversion of the amended Convertible Loan Notes in full (but no other changes to the Company's issued share capital):

Name of shareholder	Existing shareholding as at the Latest Practicable Date		Assuming full conversion of the amended Convertible Loan Notes	
	number of shares	*percentage shareholding*	*number of shares*	*percentage shareholding*
Mr. Lawrence Ho and entities controlled by him				
Mr. Lawrence Ho	7,793,951	0.63%	7,793,951	0.51%
Better Joy Overseas Ltd.	288,532,606	23.45%	288,532,606	18.87%
Lasting Legend Ltd.	115,509,024	9.39%	115,509,024	7.55%
The L3G Capital Trust	7,294,000	0.59%	7,294,000	0.48%
Mr. Lawrence Ho Group sub-total	**419,129,581**	**34.07%**	**419,129,581**	**27.41%**
Dr. Ho Hung Sun, Stanley	18,587,789	1.51%	18,587,789	1.22%
Lanceford Company Limited	3,127,107	0.25%	3,127,107	0.20%
Madam Lucina Laam King Ying	444,574	0.04%	444,574	0.03%
STDM	222	0.00002%	222	0.00001%
Ms. Ho Daisy Chiu Fung	67,500	0.005%	67,500	0.004%
Great Respect	–	–	298,982,188	19.55%
Lawrence Ho Concert Party sub-total	**441,356,773**	**35.88%**	**740,338,961**	**48.41%**
Additional Class 6 Presumed Concert Parties	**2,319,988**	**0.19%**	**2,319,988**	**0.15%**
Shares held by the trustee on behalf of The Melco Share Purchase Scheme Trust and The Melco Share Award Scheme Trust	**1,601,485**	**0.13%**	**1,601,485**	**0.10%**
Total of (1) Lawrence Ho Concert Party, (2) Additional Class 6 Presumed Concert Parties and (3) Shares held by the trustee on behalf of The Melco Share Purchase Scheme Trust and The Melco Share Award Scheme Trust	**445,278,246**	**36.19%**	**744,260,434**	**48.66%**
Public	784,980,693	63.81%	784,980,693	51.33%
Total	**1,230,258,939**	**100.00%**	**1,529,241,127**	**100.00%**

As shown in the above table, the shareholding interests of the public Shareholders will be diluted from approximately 63.81% as at the Latest Practicable Date to 51.33% after the full exercise of the conversion rights under the amended Convertible Loan Notes. Pursuant to the Deed of Amendment, a maximum of 298,982,188 Shares may be issued for the exercise of the conversion rights under the Convertible Loan Notes comparing with 117,912,694 Shares under the original terms of the Convertible Loan Notes which represents additional 181,069,494 Shares (equivalent to approximately 14.7% of the existing issued share capital of the Company). Having considered that (i) the Company may exercise its discretion to redeem all or part of the Convertible Loan Notes so as to reduce the shareholding dilution as appropriate pursuant to the Deed of Amendment; (ii) the Deed of Amendment would enable the Group to resolve the problems arisen from the repayment of the Convertible Loan Notes in September 2010; and (iii) the Board has concluded that the cost of obtaining alternative sources of medium to long term debt funding to repay the amount due to Great Respect when the Convertible Loan Notes mature this year would have been very high, we are of the opinion that the shareholding dilution effect arising from the exercise of the conversion rights attached to the Convertible Loan Notes is acceptable.

9. The Whitewash Waiver

Assuming the full conversion of the amended Convertible Loan Notes, the interests held by Great Respect and Mr. Lawrence Ho and the parties respectively acting or presumed to be acting in concert with them (including the Lawrence Ho Concert Party, the Additional Class 6 Presumed Concerted Parties, the trustee of The Melco Share Purchase Scheme Trust and The Melco Share Award Scheme Trust) will increase from approximately 36.19% to approximately 48.66% of the issued share capital of the Company as enlarged by the exercise in full of the conversion rights under the amended Convertible Loan Notes. An application has been made to the SFC under Note 1 of the Dispensations from Rule 26 of the Takeovers Code, for a waiver of the general offer obligation of Great Respect and Mr. Lawrence Ho and the parties acting in concert or presumed to be acting in concert with Great Respect and Mr. Lawrence Ho which would otherwise arise on exercise of the conversion rights under the amended Convertible Loan Notes in full. Any such Whitewash Waiver would only be granted by the SFC subject to it first being approved by a resolution of the Independent Shareholders in the EGM. The Deed of Amendment and the proposed amendments thereunder are conditional on, among other conditions, the grant in terms satisfactory to Great Respect (acting reasonably) by the SFC of a whitewash waiver. However, if the Whitewash Waiver is not granted, Great Respect would be entitled (but not required) to waive that condition under the Deed of Amendment. If it did so, Great Respect would only exercise the conversion rights under the amended Convertible Loan Notes in a manner that would not result in Great Respect incurring an obligation to make a mandatory general offer under the Takeovers Code to acquire all of the shares of the Company other than those already owned by Great Respect and persons acting in concert with it. The Executive has indicated that the Whitewash Waiver is likely to be granted but subject to, among others, approval by the Independent Shareholders at the EGM by way of poll.

Although Great Respect would be entitled (but not required) to waive the condition regarding the obtaining of the Whitewash Waiver, we consider the grant of the Whitewash Waiver would encourage Great Respect to exercise its conversion rights under the Convertible Loan Notes so as to reduce the financial burden of the Group which is in the interests of the Company and the Independent Shareholders as a whole.

RECOMMENDATION

Having taken into account the principal factors and reasons referred to the above, in particular:

- the recent financial performance and position of the Group;
- the uncertainty of the gaming industry outlook in Macau;
- the Group's cost in obtaining alternative sources of funding to repay the amount due to Great Respect when the Convertible Loan Notes mature this year would have been very high;
- the Company may have a going concern issue and its accounts may be qualified by its auditors if the maturity date of the Convertible Loan Notes cannot be extended;
- when the market price of the Shares is higher than the Revised Conversion Price and the Company has sufficient financial resources, the Company may exercise its discretion to redeem all or part of the Convertible Loan Notes so as to reduce the shareholding dilution arisen from the possible conversion of the rights attached to the Convertible Loan Notes;
- the slight premium presented by the Revised Conversion Price over the closing price of the Shares on the Last Trading Date, and the five consecutive trading days up to and including the Last Trading Date;
- the Revised Conversion Price is comparable to all issuance of convertible notes or bonds announced by other gaming sector companies listed on the Stock Exchange during the last 12 months preceding the Last Trading Date;
- the revised maturity provides more flexibility for the Company in order to relieve the immediate funding needs;
- the Revised Conversion Price enhances the possibility of Great Respect to exercise its conversion rights attached to the Convertible Loan Notes so as to reduce the liabilities of the Group; and
- the grant of the Whitewash Waiver would encourage Great Respect to exercise its conversion rights under the Convertible Loan Notes so as to reduce the financial burden of the Group which is in the interests of the Company and the Independent Shareholders as a whole,

we are of the opinion that the Deed of Amendment and the Whitewash Waiver are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole. We therefore advise the Independent Shareholders and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Deed of Amendment and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Cinda International Capital Limited
Thomas Lai **Robert Siu**
Executive Director *Executive Director*

I. THREE YEARS FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated income statements of the Group for each of the three years ended 31 December 2006, 2007 and 2008 and the unaudited consolidated income statement of the Group for the six months ended 30 June 2009 and the audited consolidated balance sheets of the Group as at 31 December 2006, 31 December 2007 and 31 December 2008 and the unaudited consolidated balance sheet of the Group as at 30 June 2009, which are extracted from the audited consolidated financial statements of the Group for the years then ended and the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2009. The auditor's reports in respect of the Group's audited consolidated financial statements for each of the three years ended 31 December 2006, 2007 and 2008 did not contain any qualifications.

Consolidated Income Statement

	Six months ended		Year ended 31 December	
	30 June 2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	*(Audited)*	*(Audited)*	*(Audited)*
Continuing operations				
Revenue	498,527	690,862	804,895	618,572
Agency fee	–	–	1,232,057	–
Other income	33,079	68,696	34,139	18,100
Investment income (loss)	2,643	(244)	2,840	3,674
Purchases and changes in inventories of finished goods	(406,023)	(677,532)	(531,867)	(237,116)
Employee benefits expense	(68,294)	(169,465)	(180,983)	(180,810)
Depreciation of property, plant and equipment	(8,459)	(21,738)	(19,252)	(55,089)
Amortisation of service agreements intangible assets and trading rights	–	–	–	(9,983)
Loss on disposal of a subsidiary	(1,804)	–	–	–
Loss on deemed disposal of subsidiaries	–	–	(143,368)	(12,140)
Loss on deemed disposal of partial interests in subsidiaries	–	–	(76,948)	–
Impairment loss recognised in respect of interests in associates	–	(1,160,838)	–	–
Impairment loss recognised in respect of available-for-sale investments	–	(147,861)	–	–
Gain on disposal of interests in jointly controlled entities	–	–	532,604	–
Gain on formation of a jointly controlled entity	–	–	–	20,000
Gain on deemed disposal of interests in jointly controlled entities	–	–	–	3,102,253
(Loss) gain on changes in interests in associates	(176,421)	48,466	1,549,361	–
Increase in fair value of investment properties	–	14,000	10,060	–
Fair value changes on derivative financial instruments	(30)	(227,691)	190,126	–

	Six months ended 30 June 2009	Year ended 31 December 2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	*(Audited)*	*(Audited)*	*(Audited)*
Fair value change on investment in convertible loan note	77,629	(206,428)	–	–
Loss on disposal of available-for-sale investment	(1,172)	–	–	–
Other expenses	(38,269)	(179,605)	(155,142)	(202,757)
Finance costs	(55,103)	(107,401)	(76,235)	(64,053)
Share of (losses) profits of jointly controlled entities	(155,351)	109,108	(157,713)	(191,835)
Share of losses of associates	(511,713)	(387,175)	(519,538)	–
Write-down of service agreements intangible asset	–	–	–	(90,390)
Gain on extension of long term payable	–	2,517	9,656	–
Gain on early redemption of convertible loan notes	–	–	8,827	–
(Loss) profit before tax	(810,761)	(2,352,329)	2,513,519	2,718,426
Income tax (expense) credit	(602)	(885)	69	4,736
(Loss) profit for the period/year from continuing operations	(811,363)	(2,353,214)	2,513,588	2,723,162
Discontinued operation				
Profit for the period/year from discontinued operation	–	–	155,075	36,819
(Loss) profit for the period/year	(811,363)	(2,353,214)	2,668,663	2,759,981
Attributable to:				
Equity holders of the Company	(811,890)	(2,356,819)	2,690,639	2,836,755
Minority interests	527	3,605	(21,976)	(76,774)
	(811,363)	(2,353,214)	2,668,663	2,759,981
Dividends	–	12,271	12,282	41,825

	Six months ended 30 June 2009	Year ended 31 December 2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	*(Audited)*	*(Audited)*	*(Audited)*
(Loss) earnings per share				
For continuing and discontinued operations				
Basic	(HK66.14 cents)	(HK192.08 cents)	HK219.06 cents	HK238.13 cents
Diluted	(HK66.14 cents)	(HK192.09 cents)	HK198.38 cents	HK208.84 cents
For continuing operations				
Basic	(HK66.14 cents)	(HK192.08 cents)	HK207.56 cents	HK235.55 cents
Diluted	(HK66.14 cents)	(HK192.09 cents)	HK188.23 cents	HK206.65 cents
Dividend per share				
Proposed:				
Interim/final dividend per share	–	–	HK1 cent	HK1 cent
Dividend in specie *(note 1)*	–	–	–	1 ADS of Melco Crown Entertainment Limited for every whole multiple of 4,000 shares held on 19 December 2006
Special dividend per share *(note 1)*	–	–	–	HK3.7 cents
Paid:				
2007 final dividend paid per share	–	HK1 cent	–	–
2006 final dividend paid per share	–	–	HK1 cent	–
Dividend in specie *(note 1)*	–	–	–	1 ADS of Melco Crown Entertainment Limited for every whole multiple of 4,000 shares held on 19 December 2006
Special dividend paid per share *(note 1)*	–	–	–	HK3.7 cents
2005 final dividend paid per share	–	–	–	HK1 cent

Note 1:

In respect of the listing of American Depositary Share ("ADS") of Melco Crown Entertainment Limited (formerly known as Melco PBL Entertainment (Macau) Limited) ("Melco Crown Entertainment") on the NASDAQ Stock market in the United States of America ("NASDAQ") on 19 December 2006, a distribution in specie was offered to the shareholders of the Company. Under the distribution in specie, qualifying shareholders holding not less than 4,000 shares in the Company whose names appeared in the register of members of the Company on the record date for the distribution in specie, which was on 19 December 2006, would be entitled to receive 1 ADS for every whole multiple of 4,000 shares in the Company held on the record date. The final offer price of US$19 per ADS was translated into Hong Kong dollars of HK$147.8. A total of 60,392 ADSs amounting to approximately HK$8,925,000 were issued to the shareholders of the Company.

Qualifying shareholders holding not less than 4,000 shares in the Company whose names appeared in the register of members of the Company on the record date for the distribution in specie and who elected to receive a cash payment in lieu of all the ADSs to which they would otherwise have been entitled were entitled to receive an amount of approximately HK$0.037 for every share in the Company held by them on the record date for the distribution in specie. Qualifying shareholders holding less than 4,000 shares in the Company whose names appeared in the register of members of the Company on the record date for the distribution in specie were entitled to receive a cash payment of approximately HK$0.037 for every share held by them on the record date for the distribution in specie.

Consolidated Balance Sheet

	As at 30 June	As at 31 December		
	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	*(Audited)*	*(Audited)*	*(Audited)*
Non-current assets				
Investment properties	166,000	166,000	152,000	141,940
Property, plant and equipment	39,060	42,977	59,636	39,945
Other intangible assets	2,000	2,000	2,000	2,547
Interests in jointly controlled entities	78,639	190,227	81,119	87,901
Interests in associates	6,455,648	7,126,710	8,689,271	5,802,612
Amounts due from associates	602,938	800,673	578,578	578,578
Amount due from a jointly controlled entity	350,100	–	–	–
Available-for-sale investments	11,404	39,093	156,337	19,837
Trading rights	–	–	–	1,773
Investment in convertible loan note	246,202	168,573	–	–
Goodwill	4,113	8,555	8,555	16,878
Long term deposits	–	–	–	3,236
Pledged bank deposits	295,640	972,500	972,500	–
Long term receivable	4,000	–	–	–
Deferred tax assets	–	719	1,592	2,781
	8,255,744	9,518,027	10,701,588	6,698,028

	As at 30 June	As at 31 December		
	2009	**2008**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	*(Audited)*	*(Audited)*	*(Audited)*
Current assets				
Inventories	28,235	57,652	25,764	61,476
Trade receivables	109,062	55,690	259,705	662,954
Prepayments, deposits and other receivables	102,836	232,534	110,497	82,831
Held-for-trading investments	217	150	430	14,503
Derivative financial instruments	34	64	223,626	–
Amounts due from jointly controlled entities	–	–	–	855
Amounts due from associates	256,092	130,555	682,757	611,862
Taxation recoverable	–	–	–	1,345
Pledged bank deposits	13,470	6,738	947	947
Bank deposits with original maturity over three months	465,738	164,896	–	–
Bank balances and cash	116,775	239,875	308,865	1,209,826
	1,092,459	888,154	1,612,591	2,646,599
Current liabilities				
Trade payables	92,249	309,664	162,529	270,733
Other payables	172,755	124,095	96,480	91,598
Shareholder's loan	250,000	250,000	250,000	–
Dividend payable	133	133	118	1,444
Taxation payable	418	689	3,726	6,378
Financial guarantee liability	45,217	45,217	45,217	–
Bank borrowings – due within one year	166,400	96,400	80,000	49,000
	727,172	826,198	638,070	419,153
Net current assets	365,287	61,956	974,521	2,227,446
Total assets less liabilities	8,621,031	9,579,983	11,676,109	8,925,474

	As at 30 June	As at 31 December		
	2009	**2008**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	*(Audited)*	*(Audited)*	*(Audited)*
Non-current liabilities				
Trade payables – due after one year	5,435	81,678	–	–
Financial guarantee liability	99,200	121,808	167,025	–
Bank borrowings – due after one year	58,400	216,600	–	–
Long term payable	170,537	172,496	168,142	170,537
Convertible loan note – due after one year	1,095,044	1,061,861	999,399	1,093,459
	1,428,616	1,654,443	1,334,566	1,263,996
	7,192,415	7,925,540	10,341,543	7,661,478
Capital and reserves				
Share capital	615,052	614,666	614,238	614,075
Reserves	6,550,801	7,284,839	9,704,875	6,953,032
Equity attributable to equity holders of the Company	7,165,853	7,899,505	10,319,113	7,567,107
Share options reserve of a subsidiary	–	–	–	265
Minority interests	26,562	26,035	22,430	94,106
	7,192,415	7,925,540	10,341,543	7,661,478

Extraordinary and exceptional items

There were no extraordinary or exceptional items recorded in the Group's consolidated financial statements in respect of the reporting periods specified above.

II. AUDITED FINANCIAL INFORMATION

Set out below is the full text of the audited consolidated financial statements of the Group for the year ended 31 December 2008 extracted from the annual report of the Company for the year ended 31 December 2008.

Consolidated Income Statement
For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Continuing operations			
Revenue	7	690,862	804,895
Agency fee	12	–	1,232,057
Other income	9	68,696	34,139
Investment (loss) income	10	(244)	2,840
Purchases and changes in inventories of finished goods		(677,532)	(531,867)
Employee benefits expense	11	(169,465)	(180,983)
Depreciation of property, plant and equipment		(21,738)	(19,252)
Loss on deemed disposal of subsidiaries	12	–	(143,368)
Loss on deemed disposal of partial interests in subsidiaries	13	–	(76,948)
Impairment loss recognised in respect of interests in associates	14	(1,160,838)	–
Impairment loss recognised in respect of available-for-sale investments		(147,861)	–
Gain on disposal of interests in jointly controlled entities	26	–	532,604
Gain on changes in interests in associates	27	48,466	1,549,361
Increase in fair value of investment properties	23	14,000	10,060
Fair value changes on derivative financial instruments	36	(227,691)	190,126
Fair value change on investment in convertible loan note	30	(206,428)	–
Other expenses		(179,605)	(155,142)
Finance costs	15	(107,401)	(76,235)
Share of profits (losses) of jointly controlled entities	26	109,108	(157,713)
Share of losses of associates	27	(387,175)	(519,538)
Gain on extension of long term payable	46	2,517	9,656
Gain on early redemption of convertible loan notes		–	8,827
(Loss) profit before tax	16	(2,352,329)	2,513,519
Income tax (expense) credit	17	(885)	69
(Loss) profit for the year from continuing operations		(2,353,214)	2,513,588
Discontinued operation			
Profit for the year from discontinued operation	18	–	155,075
(Loss) profit for the year		(2,353,214)	2,668,663

	Notes	2008 HK$'000	2007 HK$'000
Attributable to:			
Equity holders of the Company		(2,356,819)	2,690,639
Minority interests		3,605	(21,976)
		(2,353,214)	2,668,663
Dividends	21	12,271	12,282
(Loss) earnings per share	22		
For continuing and discontinued operations			
Basic		(HK192.08 cents)	HK219.06 cents
Diluted		(HK192.09 cents)	HK198.38 cents
For continuing operations			
Basic		(HK192.08 cents)	HK207.56 cents
Diluted		(HK192.09 cents)	HK188.23 cents

Consolidated Balance Sheet

At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Investment properties	23	166,000	152,000
Property, plant and equipment	24	42,977	59,636
Other intangible assets	25	2,000	2,000
Interests in jointly controlled entities	26	190,227	81,119
Interests in associates	27	7,126,710	8,689,271
Amounts due from associates	37	800,673	578,578
Available-for-sale investments	29	39,093	156,337
Investment in convertible loan note	30	168,573	–
Goodwill	31	8,555	8,555
Pledged bank deposits	39	972,500	972,500
Deferred tax assets	47	719	1,592
		9,518,027	10,701,588
Current assets			
Inventories	33	57,652	25,764
Trade receivables	34	55,690	259,705
Prepayments, deposits and other receivables		232,534	110,497
Held-for-trading investments	35	150	430
Derivative financial instruments	36	64	223,626
Amounts due from associates	37	130,555	682,757
Pledged bank deposits	39	6,738	947
Bank deposits with original maturity over three months	40	164,896	–
Bank balances and cash	40	239,875	308,865
		888,154	1,612,591
Current liabilities			
Trade payables	41	309,664	162,529
Other payables		124,095	96,480
Shareholder's loan	42	250,000	250,000
Dividend payable		133	118
Taxation payable		689	3,726
Financial guarantee liability	43	45,217	45,217
Bank borrowings – due within one year	44	96,400	80,000
		826,198	638,070
Net current assets		61,956	974,521
Total assets less liabilities		9,579,983	11,676,109

	Notes	2008 *HK$'000*	2007 *HK$'000*
Non-current liabilities			
Trade payables – due after one year	41	81,678	–
Financial guarantee liability	43	121,808	167,025
Bank borrowings – due after one year	44	216,600	–
Long term payable	46	172,496	168,142
Convertible loan note – due after one year	45	1,061,861	999,399
		1,654,443	1,334,566
		7,925,540	10,341,543
Capital and reserves			
Share capital	48	614,666	614,238
Reserves		7,284,839	9,704,875
Equity attributable to equity holders of the Company		7,899,505	10,319,113
Minority interests		26,035	22,430
		7,925,540	10,341,543

Balance Sheet
At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Investment in subsidiaries	28	1,040,712	966,495
Other intangible asset	25	2,000	2,000
Amounts due from subsidiaries	38	3,382,194	3,435,586
Pledged bank deposits	39	972,500	972,500
		5,397,406	5,376,581
Current assets			
Prepayments, deposits and other receivables		14,631	6,190
Amounts due from associates	37	41,996	255,856
Amounts due from subsidiaries	38	55,327	–
Bank deposits with original maturity of over three months	40	164,896	–
Bank balances and cash	40	116,136	149,018
		392,986	411,064
Current liabilities			
Other payables		7,026	5,656
Amounts due to associates	37	421	2,163
Amounts due to subsidiaries	38	6,926	129
Shareholder's loan	42	250,000	250,000
Dividend payable		133	118
Financial guarantee liability	43	45,217	45,217
Bank borrowings – due within one year	44	80,000	80,000
		389,723	383,283
Net current assets		3,263	27,781
Total assets less current liabilities		5,400,669	5,404,362

	Notes	2008 HK$'000	2007 HK$'000
Non-current liabilities			
Financial guarantee liability	43	121,808	167,025
Amount due to a subsidiary	38	46,600	–
Bank borrowings – due after one year	44	150,000	–
Convertible loan note – due after one year	45	1,061,861	999,399
		1,380,269	1,166,424
		4,020,400	4,237,938
Capital and reserves			
Share capital	48	614,666	614,238
Reserves	49	3,405,734	3,623,700
		4,020,400	4,237,938

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to the equity holders of the Company																	
	Share capital	Share premium	Capital reserve	Special reserve	Convertible loan note equity reserve	Property revaluation reserve	Other revaluation reserve	Exchange reserve	Legal reserve	Share options reserve	Shares held under share award schemes	Share awards reserve	Other reserve	Accumulated profits	Total	Share options reserve of a subsidiary	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000* *(Note 1)*	*HK$'000* *(Note 2)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note 3)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note 4)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	614,075	3,124,940	296,016	(78,243)	327,677	5,796	32,380	(2)	254	12,726	–	–	–	3,231,488	7,567,107	265	94,106	7,661,478
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	392	–	–	–	–	–	–	392	–	(51)	341
Share of reserves of associates	–	–	–	–	–	–	–	2,347	–	–	–	–	(31,674)	–	(29,327)	–	–	(29,327)
Loss on fair value change of available-for-sale investments	–	–	–	–	–	–	(30,617)	–	–	–	–	–	–	–	(30,617)	–	–	(30,617)
Net income (expense) directly recognised in equity	–	–	–	–	–	–	(30,617)	2,739	–	–	–	–	(31,674)	–	(59,552)	–	(51)	(59,603)
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	–	2,690,639	2,690,639	–	(21,976)	2,668,663
Total recognised income for the year	–	–	–	–	–	–	(30,617)	2,739	–	–	–	–	(31,674)	2,690,639	2,631,087	–	(22,027)	2,609,060
Exercise of share options	163	432	–	–	–	–	–	–	–	–	–	–	–	–	595	–	–	595
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	500,212	500,212
Realisation of special reserve and other revaluation reserve upon deemed disposal of partial interest in an associate	–	–	–	8,293	–	–	(3,432)	–	–	–	–	–	–	(4,861)	–	–	–	–
Decease in minority interests on acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,028)	(1,028)
Decrease in minority interests on deemed disposal of partial interest in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(208,765)	(208,765)
Recognition of equity – settled share based payments	–	–	–	–	–	–	–	–	–	9,393	–	–	–	–	9,393	194	70	9,657
Transfer to share premium upon exercise of share options	–	113	–	–	–	–	–	–	–	(113)	–	–	–	–	–	–	–	–
Transfer of share option reserve upon expiry of share options	–	–	–	–	–	–	–	–	–	(48)	–	–	–	48	–	–	–	–
Early redemption of convertible loan notes	–	–	–	–	(20,424)	–	–	–	–	–	–	–	–	8,946	(11,478)	–	–	(11,478)
Increase in reserves and decrease in minority interests upon deemed disposal of subsidiaries	–	–	–	–	–	–	–	(138)	–	–	–	–	–	134,829	134,691	(459)	(339,942)	(205,710)
Dividend paid	–	–	(12,282)	–	–	–	–	–	–	–	–	–	–	–	(12,282)	–	(196)	(12,478)
At 31 December 2007	614,238	3,125,485	283,734	(69,950)	307,253	5,796	(1,669)	2,599	254	21,958	–	–	(31,674)	6,061,089	10,319,113	–	22,430	10,341,543

	Attributable to the equity holders of the Company																	
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Note 1)	Special reserve HK$'000 (Note 2)	Convertible loan note equity reserve HK$'000	Property revaluation reserve HK$'000	Other revaluation reserve HK$'000	Exchange reserve HK$'000	Legal reserve HK$'000 (Note 3)	Share options reserve HK$'000	Shares held under share award schemes HK$'000	Share awards reserve HK$'000	Other reserve HK$'000 (Note 4)	Accumulated profits HK$'000	Total HK$'000	Share options reserve of a subsidiary HK$'000	Minority interests HK$'000	Total HK$'000
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	(313)	–	–	–	–	–	–	(313)	–	–	(313)
Share of reserves of associates	–	–	–	–	–	–	–	(10,469)	–	–	–	–	(72,120)	–	(82,589)	–	–	(82,589)
Loss on fair value change of available-for-sale investments	–	–	–	–	–	–	(117,244)	–	–	–	–	–	–	–	(117,244)	–	–	(117,244)
Expense directly recognised in equity	–	–	–	–	–	–	(117,244)	(10,782)	–	–	–	–	(72,120)	–	(200,146)	–	–	(200,146)
Loss for the year	–	–	–	–	–	–	–	–	–	–	–	–	–	(2,356,819)	(2,356,819)	–	3,605	(2,353,214)
Impairment loss recognised in respect of available-for-sale investments	–	–	–	–	–	–	147,861	–	–	–	–	–	–	–	147,861	–	–	147,861
Total recognised income (expense) for the year	–	–	–	–	–	–	30,617	(10,782)	–	–	–	–	(72,120)	(2,356,819)	(2,409,104)	–	3,605	(2,405,499)
Exercise of share options	428	4,703	–	–	–	–	–	–	–	–	–	–	–	–	5,131	–	–	5,131
Recognition of equity – settled share based payments	–	–	–	–	–	–	–	–	–	13,271	–	7,365	–	–	20,636	–	–	20,636
Transfer to share premium upon exercise of share options	–	1,254	–	–	–	–	–	–	–	(1,254)	–	–	–	–	–	–	–	–
Transfer of share option reserve upon expiry of share options	–	–	–	–	–	–	–	–	–	(1,337)	–	–	–	1,337	–	–	–	–
Shares vested under the share award schemes	–	–	–	–	–	–	–	–	–	–	2,912	(3,227)	–	315	–	–	–	–
Purchase of shares for unvested shares under the share award schemes	–	–	–	–	–	–	–	–	–	–	(24,000)	–	–	–	(24,000)	–	–	(24,000)
Dividend paid	–	–	(12,271)	–	–	–	–	–	–	–	–	–	–	–	(12,271)	–	–	(12,271)
At 31 December 2008	614,666	3,131,442	271,463	(69,950)	307,253	5,796	28,948	(8,183)	254	32,638	(21,088)	4,138	(103,794)	3,705,922	7,899,505	–	26,035	7,925,540

Note 1: Pursuant to a scheme of capital reduction, which became effective on 29 June 1993, the Supreme Court of Hong Kong approved the cancellation of the Company's share premium account which, on that date, was stated at HK$127,274,212. By virtue of the same court's sanction, the issued and fully paid share capital of the Company was also reduced by HK$230,510,521 through a reduction in the nominal value of the share capital of the Company. The credits arising from the cancellation of the share premium account and the reduction of the share capital account, in the aggregate amount of HK$357,784,733 were transferred to a capital reserve account. The capital reserve account is distributable to the shareholders of the Company if there is no outstanding debt or claim against the Company which was in existence on the effective date of the capital reduction. In view of the fact that the Company receives no claim, demand, action or proceedings in respect of any such debt or claim since June 1993 and in view of the fact that any such debt or claim has been statute-barred under Hong Kong law and irrecoverable against the Company, the Company is of the view that the reserve is distributable to the Company's shareholders.

Note 2: The special reserve represents the difference between the consideration paid and the goodwill and the carrying values of the underlying assets and liabilities attributable to the additional interest in a subsidiary acquired in previous years.

Note 3: All entities incorporated in Macau are required to set aside a minimum of 10% of the entity's profit after taxation to the legal reserve until the balance of the legal reserve reaches a level equivalent to 50% of the entity's share capital in accordance with the provisions of the Macau Commercial Code. Such legal reserve represents an amount set aside from the income statement and is not available for distribution to the shareholders of the entity. The appropriation of legal reserve is recorded in financial statements in the period in which it is approved by the board.

Note 4: The other reserve represents the share of an associate's hedging reserve.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008	2007
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
(Loss) profit before tax	(2,352,329)	2,677,471
Adjustments for:		
Agency fee	–	(1,232,057)
Gain on extension of long term payable	(2,517)	(9,656)
Gain on early redemption of convertible loan notes	–	(8,827)
Loss (gain) from fair value change of held-for-trading investments	280	(1,194)
Financial guarantee income	(45,217)	(13,464)
Dividend income	(36)	(2,739)
Depreciation of property, plant and equipment	21,738	20,381
Amortisation of trading rights	–	364
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 entity	–	(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	–
Gain on changes in interests in associates	(48,466)	(1,549,361)
Increase in fair value of investment properties	(14,000)	(10,060)
Fair value changes on derivative financial instruments	227,691	(190,126)
Fair value change on investment in convertible loan note	206,428	–
Allowance for doubtful debts	6,222	2,395
Allowance on other receivables	19,540	–
Allowance for inventories	220,030	–
Share-based payment expense	20,636	9,657
(Gain) loss on disposal of property, plant and equipment	(81)	322
Share of (profits) losses of jointly controlled entities	(109,108)	157,713
Share of losses of associates	387,175	519,538
Finance costs	107,401	96,097
Operating cash flows before movements in working capital	(45,914)	38,892
(Increase) decrease in inventories	(240,826)	33,395
Decrease (increase) in trade receivables	197,671	(1,461,663)
Increase in prepayments, deposits and other receivables	(143,512)	(29,497)
Decrease in held-for-trading investments	–	1,703
Decrease in amounts due from joint controlled entities	–	855
Decrease in amounts due from associates	161,010	203,440
Increase in trade payables	228,813	93,625
Increase in other payables	27,615	39,683
Net cash from (used in) operations	184,857	(1,079,567)
Income tax paid	(1,114)	(2,742)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	183,743	(1,082,309)

	Notes	2008 HK$'000	2007 HK$'000
INVESTING ACTIVITIES			
Advances to associates		(128,197)	–
Increase in bank deposits with original maturity over three months		(164,896)	–
Investments in associates		(98,854)	–
Purchase of property, plant and equipment		(19,771)	(179,176)
Increase in pledged bank deposits		(5,791)	(972,500)
Subscription of warrants of an associate		(4,527)	–
Proceeds from disposal of property, plant and equipment		5,460	–
Dividend received		36	2,739
Cash inflow from acquisition of subsidiaries	51	–	8,439
Decrease in long term deposits		–	179
Net cash outflow on deemed disposal of subsidiaries	52	–	(170,441)
Purchase of available-for-sale investments		–	(191,492)
Investment in jointly controlled entities		–	(30,000)
NET CASH USED IN INVESTING ACTIVITIES		(416,540)	(1,532,252)
FINANCING ACTIVITIES			
Bank borrowings raised		313,000	1,162,146
Proceeds from exercise of share options		5,131	595
Repayments of bank borrowings		(80,000)	–
Interest paid		(38,068)	(29,549)
Purchase of shares for unvested shares under the share award schemes		(24,000)	–
Dividend paid		(12,256)	(13,804)
Capital contribution from minority shareholders		–	500,212
Advance from a shareholder		–	250,000
Redemption of convertible loan notes		–	(156,000)
NET CASH FROM FINANCING ACTIVITIES		163,807	1,713,600
NET DECREASE IN CASH AND CASH EQUIVALENTS		(68,990)	(900,961)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		308,865	1,209,826
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		239,875	308,865

Notes to the Consolidated 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 disclosed in the "Corporate Information" section to the annual report.

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 (see note 18).

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

In the current year, the Company and the Group have 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 Company and the Group have 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 on 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 Company and 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has a power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

On acquisition of additional interest in a subsidiary, the difference between the consideration paid and the goodwill and the carrying values of the underlying assets and liabilities attributable to the additional interest in the subsidiary is debited to special reserve. On subsequent disposal of the subsidiary, the attributable special reserve is realised in the consolidated income statement.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investment in subsidiaries

Investment in subsidiaries are included in the Company's balance sheet at cost, less any identified impairment loss.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements of the Group using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements of the Group using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associates recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold or services provided in the normal course of business, net of discounts and sales related tax.

Agency fee is recognised when the required services is rendered in accordance with the milestones included in respective agreement.

Revenue from the provision of catering services, management services, investment banking and financial services are recognised when the services are provided.

Revenue from implementation of technology solution systems are recognised when the systems have been implemented and the customers have agreed and accepted the systems.

Revenue from sales of other products is recognised when goods are delivered and titles have passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income is recognised on a straight-line basis over the relevant lease terms.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the asset is derecognised.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated income statement for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the asset is derecognised.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the consolidated income statement in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains or losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in the consolidated income statement in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the exchange reserve.

Retirement benefits costs

Payments to defined contribution schemes and Mandatory Provident Fund Schemes are charged when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Share-based payment transactions

Equity settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserve. At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits.

The fair value of services received, determined by reference to the fair value of awarded shares granted at the grant date, in exchange for the grant of the awarded shares is expensed on a straight-line basis over the vesting period, with a corresponding increase in share awards reserve. At the time when the awarded shares are vested, the amount previously recognised in share awards reserve and the amount of the relevant treasury shares will be transferred to accumulated profits. When the awarded shares are not vested or are forfeited during the vesting period, the amount previously recognised in share awards reserve will be recognised as income immediately in the consolidated income statement.

At each balance sheet date, the Company and the Group revises its estimates of the number of options and awarded shares that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in the consolidated income statement, with a corresponding adjustment to share options reserve or share awards reserve, respectively.

Prior to the application of HKFRS 2 Share-based Payment, the Company and the Group did not recognise the financial effect of share options until they were exercised. In relation to share options granted before 1 January 2005, the Company and the Group chooses not to apply HKFRS 2 with respect to share options granted on or before 7 November 2002 and vested before 1 January 2005.

Intangible assets

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated income statement.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Financial assets

Financial assets of the Company and the Group are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from subsidiaries, and associates, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables and amounts due from associates, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable and amounts due from associates is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Company's and the Group's financial liabilities are generally classified as other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Convertible loan notes

Convertible loan notes issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the loan notes into equity, is included in equity (convertible loan note equity reserve).

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan note equity reserve until the embedded option is exercised (in which case the balance stated in convertible loan note equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible loan note equity reserve will be released to the accumulated profits. No gain or loss is recognised in the consolidated income statement upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Other financial liabilities

Other financial liabilities except for financial guarantee liability, including trade and other payables, amounts due to subsidiaries and associates, dividend payable, bank borrowings, shareholder's loan and long term payable are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Company and the Group and not designated as fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company or the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in the consolidated income statement.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policies in respect of goodwill above)

At each balance sheet date, the Company and Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives are tested for impairment annually and whenever there is indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as an income immediately.

Borrowing costs

All borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimated impairment of trade receivables and amounts due from associates

When there is an objective evidence of impairment loss, the Company and the Group would determine the amount of the impairment loss which is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

Fair value of investment in convertible loan note and derivatives

As described in notes 30 and 36, the directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument.

Estimated impairment of interests in associates

Determining the impairment loss in respect of interests in associates requires an estimation of the recoverable amount of the interests in associates. The recoverable amount requires the Group to estimate the future cash flows expected to arise from the associates and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2008, the interests in associates amounting to approximately HK$7,126,710,000 (net of accumulated impairment loss of HK$1,160,838,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's and the Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the shareholder's loan, bank borrowings, convertible loan note and long term payable disclosed in notes 42, 44, 45 and 46, respectively, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated profits.

The capital structure of the Company consists of net debt, which includes the shareholder's loan, bank borrowings and convertible loan note disclosed in notes 42, 44 and 45, respectively, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated losses.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. The Company and the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Financial assets		
Fair value through profit or loss		
– Held for trading	214	224,056
– Designated as fair value through profit or loss	168,573	–
Loans and receivables (including cash and cash equivalents)	2,399,317	2,897,991
Available-for-sale financial assets	39,093	156,337
Financial liabilities		
Amortised cost	2,290,897	1,730,470
Financial guarantee liability	167,025	212,242

	THE COMPANY	
	2008	**2007**
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	4,733,049	4,812,952
Financial liabilities		
Amortised cost	1,598,874	1,331,809
Financial guarantee liability	167,025	212,242

6b. Financial risk management objectives and policies

The Company's and the Group's major financial instruments include available-for-sale investments, investment in convertible loan note, derivative financial instruments, trade and other receivables, trade and other payables, amounts due from (to) subsidiaries and associates, pledged bank deposits, financial guarantee liability, bank borrowings, shareholder's loan, long term payable and convertible loan note. Details of the financial instruments are disclosed in respective note. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the Group's exposure to the financial risk or the manner in which it manages and measure the risk.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Company and the Group have certain bank deposits, amounts due from associates, trade and other receivables and trade and other payables denominated in currency other than the functional currency of the relevant group entities.

The Group currently does not implement hedging activity to hedge against foreign currency exposure but the directors of the Company closely monitor the foreign currency exposure of the Company and the Group.

The carrying amounts of the Company's and the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	THE GROUP			
	Liabilities		**Assets**	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
United States dollar ("USD")	(242,220)	(190,934)	1,295,186	1,615,596
Macau Patacas ("MOP")	(21,933)	(11,313)	9,278	189,013

	THE COMPANY			
	Liabilities		**Assets**	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
USD	(1,072)	(45,438)	1,322,559	1,203,399
MOP	(161)	–	–	106,509

Sensitivity analysis

The Company and the Group are mainly exposed to the USD and MOP against Hong Kong dollar, the functional currency of relevant group entities.

The following table details the Company's and the Group's sensitivity to a 1% increase or decrease in Hong Kong dollars against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 1% change in foreign currency rates. A negative number below indicates an increase in loss/decrease in profit where Hong Kong dollars strengthen 1% against the relevant currency. For a 1% weakening of Hong Kong dollars against the relevant foreign currency, there would be an equal and opposite impact on the loss/profit.

	THE GROUP			
	USD Impact		**MOP Impact**	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit or loss	(10,530)	(14,247)(i)	126	(1,778)(ii)

	THE COMPANY			
	USD Impact		**MOP Impact**	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit or loss	(13,215)	(11,598)(i)	2	(1,065)(ii)

(i) This is mainly attributable to the exposure on outstanding USD receivables, bank deposits and payables at year end in the Company and the Group.

(ii) This is mainly attributable to the exposure on outstanding MOP receivables and payables at the year end in the Company and the Group.

(ii) Interest rate risk

The Company and the Group are exposed to fair value interest rate risk in relation to amount due from an associate, pledged bank deposits, bank deposits with original maturity over three months, bank balances, trade payable by installments, convertible loan note and long term payable which carried at fixed rate (see Notes 37, 39, 40, 41, 45 and 46 for details of these borrowings). The Company and the Group currently do not enter into any hedging instrument for fair value interest rate risk.

The Company and the Group are exposed to cash flow interest rate risk in relation to variable-rate amounts due from associates and subsidiaries, shareholder's loan and bank borrowings (see Notes 37, 38, 42 and 44 for details of these borrowings). It is the Company's and Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Company's and the Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Company's and the Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prime rate and Hong Kong Interbank Offer Rate ("HIBOR") arising from the Company's and the Group's Hong Kong dollars borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For variable-rate amounts due from associates and subsidiaries, bank borrowings and shareholder's loan, the analysis is prepared assuming the amount of assets and liabilities outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2008 would decrease/increase by approximately HK$756,000 and (2007: profit for the year increase/decrease by HK$3,021,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate amounts due from associates, bank borrowings and shareholder's loan (2007: Amounts due from associates, bank balances, bank borrowings and shareholder's loan).

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's loss for the year ended 31 December 2008 would decrease/increase by approximately HK$14,720,000 and (2007: profit for the year decrease/increase by HK$441,000). This is mainly attributable to the Company's exposure to interest rates on its variable-rate amounts due from an associate and subsidiaries, bank borrowings and shareholder's loan (2007: Amounts due from associate and subsidiaries, bank balances, bank borrowings and shareholder's loan).

The Group's sensitivity to interest rates has decreased during the current year mainly due to the decrease in variable rate net financial assets.

The Company's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate net financial assets.

(iii) *Other price risk*

The Group is exposed to equity price risk through its investment in convertible loan note, investments in listed and unlisted equity securities and derivative financial instruments if there is an adverse change in prices. the Group will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to fluctuation on equity price underlying the investment in convertible loan note, available-for-sale investments, held-for-trading investments and derivative instruments measured at fair value at the balance sheet date.

If the respective equity price underlying the investment in convertible loan note, equity securities and derivative financial instruments relate had been 5% higher/lower:

- loss for the year ended 31 December 2008 would decrease/increase by HK$10,394,000 (2007: profit for the year increase/decrease by HK$11,175,000) as a result of the changes in fair value of investment in convertible loan note, available-for-sale investments, held-for-trading investments and warrants (2007: held-for-trading investments and warrants); and

- other revaluation reserve would increase/decrease by nil (2007: increase/decrease by HK$6,825,000) for the Group as a result of the changes in fair value of available-for-sale investments (excluding available-for-sale investment carried at cost less impairment).

The Group's sensitivity to equity price risk has decreased as a result of the decrease in carrying amounts available-for-sale investments and warrants.

Credit risk

As at 31 December 2008, the Company's and the Group's maximum exposure to credit risk which will cause a financial loss to the Company and the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company and the Group is arising from

- the carrying amount of the respective recognised financial assets as stated in the respective balance sheets; and
- the amount of contingent liabilities and financial guarantee liability in relation to guarantee issued by the Company and the Group as disclosed in notes 55 and 43, respectively.

In order to minimise the credit risk, the management of the Company and the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company and the Group reviews the recoverable amount of each individual trade debt and advances to associates at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Company's and the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical location is mainly in Hong Kong and Macau. The Group's significant concentration of credit risk is mainly on the investment in convertible loan note, amounts due from associates of Melco Crown Entertainment Limited ("Melco Crown Entertainment"), Melco China Resorts (Holding) Limited ("MCR BC"), Elixir Gaming Technologies, Inc. ("EGT") and the Group consider the credit risk is minimal after considering the financial position of these associates. In addition, the credit risk on liquid funds is minimised as they are deposited with several banks with high credit ratings. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

The Group and the Company also expose to concentration of credit risk in respect of guarantee given to a jointly controlled entity (note 43). This jointly controlled entity issued exchangeable bonds of HK$1,950 million (US$250 million) which are jointly and severally guaranteed by the Company and another shareholder of the jointly controlled entity.

Liquidity risk

In the management of the liquidity risk, the Company and the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's and the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and shareholder's loan and ensures compliance with loan covenants.

The Company and the Group relies on shareholder's loan and bank borrowings as a significant source of liquidity. Details of which are set out in notes 42 and 44, respectively. As at 31 December 2008, the Company and the Group has available bank loan facilities of HK$313,000,000 (2007: HK$129,800,000).

The following table details the Company's and the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company and the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

THE GROUP

	Weighted average interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-2 years	2-5 years	Total undiscounted cash flows	Carrying amount at 31.12.2008
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008								
Non-derivative financial liabilities								
Trade and other payables	0.8%	306,490	11,190	95,705	–	–	413,385	411,729
Dividend payable	–	133	–	–	–	–	133	133
Shareholder's loan	8.3%	–	253,724	–	–	–	253,724	250,000
Bank borrowings	2.5%	80,060	4,460	16,753	168,933	51,156	321,362	313,000
Trade payables								
– due after one year	5.0%	–	–	–	87,584	–	87,584	81,678
Long term payable	3.1%	–	–	–	180,000	–	180,000	172,496
Convertible loan note	6.3%	–	–	–	1,175,000	–	1,175,000	1,061,861
		386,683	269,374	112,458	1,611,517	51,156	2,431,188	2,290,897

	Weighted average interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-2 years	2-5 years	Total undiscounted cash flows	Carrying amount at 31.12.2007
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007								
Non-derivative financial liabilities								
Trade and other payables	–	232,811	–	–	–	–	232,811	232,811
Dividend payable	–	118	–	–	–	–	118	118
Shareholder's loan	9.3%	–	7,491	266,059	–	–	273,550	250,000
Bank borrowings	4.4%	136	384	82,671	–	–	83,191	80,000
Long term payable	5.0%	–	–	–	180,000	–	180,000	168,142
Convertible loan note	6.3%	–	–	–	–	1,175,000	1,175,000	999,399
		233,065	7,875	348,730	180,000	1,175,000	1,944,670	1,730,470

THE COMPANY

	Weighted average interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-2 years	2-5 years	Total undiscounted cash flows	Carrying amount at 31.12.2008
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008								
Non-derivative financial liabilities								
Other payables	–	2,933	–	–	–	–	2,933	2,933
Amounts due to associates	–	421	–	–	–	–	421	421
Amounts due to subsidiaries	2.3%	526	3,511	4,073	48,291	–	56,401	53,526
Dividend payable	–	133	–	–	–	–	133	133
Shareholder's loan	8.3%	–	253,724	–	–	–	253,724	250,000
Bank borrowings	2.1%	80,060	562	1,717	150,481	–	232,820	230,000
Convertible loan note	6.3%	–	–	–	1,175,000	–	1,175,000	1,061,861
		84,073	257,797	5,790	1,373,772	–	1,721,432	1,598,874

	Weighted average interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-2 years	2-5 years	Total undiscounted cash flows	Carrying amount at 31.12.2007
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007								
Non-derivative financial liabilities								
Amounts due to associates	–	2,163	–	–	–	–	2,163	2,163
Amounts due to subsidiaries	–	129	–	–	–	–	129	129
Dividend payable	–	118	–	–	–	–	118	118
Shareholder's loan	9.3%	–	7,451	266,059	–	–	273,510	250,000
Bank borrowings	4.4%	136	384	82,671	–	–	83,191	80,000
Convertible loan note	6.3%	–	–	–	–	1,175,000	1,175,000	999,399
		2,546	7,835	348,730	–	1,175,000	1,534,111	1,331,809

At 31 December 2008 and 2007, it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the amounts which the Group and the Company may be required to pay under outstanding financial guarantee contracts with carrying amounts of approximately HK$167,025,000 (2007: HK$212,242,000) have not been presented above. The holders of the convertible loan note issued by a jointly controlled entity of the Group (note 43) can require settlement of financial guarantee issued by the Company in year 2012.

6c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices respectively;
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input; and
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, fair value is determined by discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. The fair value of investment in convertible loan note is determined using Binomial Model.

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values:

	THE GROUP AND THE COMPANY			
	2008		**2007**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	HK$'000	*HK$'000* *(Note)*	*HK$'000*	*HK$'000* *(Note)*
Financial liabilities				
Convertible loan note	1,061,861	1,027,959	999,399	885,461

Note: The fair value of the liability component of the convertible loan note issued by the Company is determined with reference to the present value of the convertible loan notes using borrowing rate of 8.3% (2007: 6.25%) determined by reference to the rate of interest on the shareholder's loan of the Group of similar terms at respective balance sheet dates.

7. REVENUE

An analysis of the Group's revenue is as follows:

	Continuing operation		Discontinued operation		Consolidated	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Implementation of technology solution systems	247,173	261,940	–	–	247,173	261,940
Sales of electronic gaming machines	265,659	311,556	–	–	265,659	311,556
Sales of leisure and gaming products	–	28,828	–	–	–	28,828
Catering service income	103,260	90,725	–	–	103,260	90,725
Brokerage commission from dealing in securities and futures and options contracts	–	–	–	140,953	–	140,953
Interest income from clients	–	–	–	55,427	–	55,427
Interest income from authorised institutions and associates	68,129	100,227	–	–	68,129	100,227
Underwriting, sub-underwriting, placing and sub-placing commission	–	–	–	7,423	–	7,423
Arrangement, management, advisory and other fee income	–	–	–	6,823	–	6,823
Property rental income	5,441	10,419	–	–	5,441	10,419
Management fee income	1,200	1,200	–	–	1,200	1,200
	690,862	804,895	–	210,626	690,862	1,015,521

8. 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. As disclosed in note 18, 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
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
External sales	103,260	512,832	74,770	–	690,862
Inter-segment sales	1,342	189	1,811	(3,342)	–
Total revenue	104,602	513,021	76,581	(3,342)	690,862
Segment result	2,879	(251,869)	88,065	(7)	(160,932)
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					(2,353,214)

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

2008

	Leisure, Gaming and Entertainment	Technology	Property and Other Investments	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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
Consolidated total assets					10,406,181
Liabilities					
Segment liabilities	14,424	484,948	690	–	500,062
Unallocated corporate liabilities					1,980,579
Consolidated total liabilities					2,480,641
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

2007

	Continuing operations					Discontinued operation			
	Leisure, Gaming and Entertainment	Technology	Property and Other Investments	Elimination	Total	Investment and Financial Services	Elimination	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
External sales	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	126,723	575,674	116,772	(14,274)	804,895	211,109	(483)	210,626	1,015,521
Segment result	(74,229)	23,282	118,884	(296)	67,641	69,023	(483)	68,540	136,181
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					2,513,519			163,952	2,677,471
Income tax credit (expense)					69			(8,877)	(8,808)
Profit for the year					2,513,588			155,075	2,668,663

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

2007

	Leisure, Gaming and Entertainment	Technology	Property and Other Investments	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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
Consolidated total assets					12,314,179
Liabilities					
Segment liabilities	15,974	227,203	404	–	243,581
Unallocated corporate liabilities					1,729,055
Consolidated total liabilities					1,972,636

2007

	Continuing operations				Discontinued operation	
	Leisure, Gaming and Entertainment	Technology	Property and Other Investments	Total	Investment and Financial Services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OTHER INFORMATION						
Capital additions *(Note)*	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

Note: Apart from the capital additions disclosed above, the Group acquired a subsidiary, 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 (see note 51).

(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 amount of segment assets		**Additions to property, 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

9. OTHER INCOME

	Continuing operations		**Discontinued operation**		**Consolidated**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Service fees from associates	19,768	12,581	–	–	19,768	12,581
Exchange gain, net	–	1,861	–	247	–	2,108
Imputed financial guarantee income	45,217	13,464	–	–	45,217	13,464
Others	3,711	6,233	–	131	3,711	6,364
	68,696	34,139	–	378	68,696	34,517

10. INVESTMENT (LOSS) INCOME

	Continuing operations		Discontinued operation		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Loss on disposal of held-for-trading investments	–	–	–	(137)	–	(137)
(Loss) gain from fair value change of held-for-trading investments	(280)	101	–	1,093	(280)	1,194
Dividend income from unlisted investments	36	2,219	–	–	36	2,219
Dividend income from listed investments	–	520	–	–	–	520
	(244)	2,840	–	956	(244)	3,796

11. EMPLOYEE BENEFITS EXPENSE

	Continuing operations		Discontinued operation		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Wages, salaries and staff welfare	139,989	165,753	–	27,840	139,989	193,593
Sales commission	564	394	–	77,501	564	77,895
Unutilised annual leave	621	143	–	–	621	143
Termination benefits	1,460	146	–	–	1,460	146
Social security costs	26	473	–	–	26	473
Provision for long service payment	1,882	(177)	–	–	1,882	(177)
Retirement benefit scheme contributions	2,988	3,015	–	815	2,988	3,830
Forfeiture of retirement benefit scheme contributions	–	–	–	(25)	–	(25)
Share-based payment employee expense	20,636	9,393	–	264	20,636	9,657
Others	1,299	1,843	–	592	1,299	2,435
Total employee benefits expense including directors' emoluments	169,465	180,983	–	106,987	169,465	287,970

12. LOSS ON DEEMED DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2007, the Group subscribed 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-sales 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 ranged 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, during a term of six years from the date of the entering the PPA, a 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 had 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 remained at US$2.65. As a result of the issuance of Second Shares and Second Warrants, an agency fee income of HK$1,232,057,000 was thus recognised, which represent the fair values of the Second Shares based on the market price of EGT and the Second Warrants determined using binomial model, and EGT then became a subsidiary of the Company (see note 51 for details).

In October 2007, EGT completed a placement of shares to parties other than the Company. EGT remained as a subsidiary of the Company after the completion of EGT placement of shares and the loss on deemed disposal of partial interests in subsidiaries was included in the amount disclosed in note 13.

In December 2007, the Group entered into an agreement ("Disposal Agreement") to dispose of 6,000,000 First Warrants with an exercise price of US$1.00 to US$3.50 plus 10,000,000 Second Warrants to an independent third party ("Purchaser") at a consideration of approximately HK$102,960,000. According to the Disposal Agreement, the First Warrants and Second Warrants are disposed of by the Group subject to the exercise of the First Warrants and Second Warrants by the Purchaser. After the completion of the disposal and exercise of warrants, EGT became an associate of the Company. Thereafter, upon exercise of the warrants by the Purchaser, the Group therefore recognised a loss on deemed disposal of subsidiaries of approximately HK$143,368,000 during the year ended 31 December 2007 being the excess of the goodwill attributable to the decrease in interest over the increase in the net assets of EGT attributable to the Group's interest arising from the deemed disposal. After the completion of the Disposal Agreement, the Group had 1,000,000 First Shares, 40,000,000 Second Shares and 10,000,000 First Warrants and 12,000,000 Second Warrants.

Subsequent to the deemed disposal, the Group entered into another agreement with EGT to convert 12,000,000 Second Warrants to 4,800,000 shares of EGT as additional interest in this associate during the year ended 31 December 2007.

As EGT has already established its market presence and connection in the gaming industry, the Group therefore entered into a termination agreement ("Termination Agreement") with EGT to terminate the PPA in November 2008. According to the Termination Agreement, Elixir will cease to provide agency service to source and refer gaming operators to EGT and therefore terminate the rights for additional shares and warrants to be issued by EGT upon achieving the remaining milestones.

After the Termination Agreement, the Group agreed with EGT to settle the receivable from EGT relating to the EGM transactions of approximately HK$93,898,000 by twenty-four installments which are interest bearing at 5% per annum (note 37). The whole amount of approximately HK$93,898,000 would have been past due should there be no renegotiation of the term.

13. LOSS ON DEEMED DISPOSAL OF PARTIAL INTERESTS IN SUBSIDIARIES

During the year ended 31 December 2007, the Group's interest in EGT, a subsidiary acquired during the year 2007, decreased resulting from a placement of shares by EGT in October 2007 (see note 12 for details of the transactions with EGT).

As a result of the above decrease in interest in EGT, the Group then recognised a loss on deemed disposal of partial interests in subsidiaries of approximately HK$76,948,000 during the year ended 31 December 2007, being the excess of the goodwill attributable to the decrease in interests over the increase in the net assets of EGT attributable to the Group's interest arising from the deemed disposal.

14. 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 MCR BC. MCR BC is a company having its shares listed on TSX Venture Exchange in Toronto, Canada ("TSX") 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.

15. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest on:						
Bank borrowings wholly repayable within five years	8,104	937	–	19,862	8,104	20,799
Shareholder's loan	22,682	1,780	–	–	22,682	1,780
Effective interest expense on convertible loan notes	62,462	62,382	–	–	62,462	62,382
Imputed interest expense on long term payable	6,871	7,261	–	–	6,871	7,261
Interest expenses to suppliers and others	7,282	3,875	–	–	7,282	3,875
	107,401	76,235	–	19,862	107,401	96,097

16. (LOSS) PROFIT BEFORE TAX

	Continuing operations		Discontinued operation		Consolidated	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(Loss) profit before tax has been arrived at after charging:						
Auditor's remuneration	1,845	2,400	–	589	1,845	2,989
Allowance for doubtful debts	6,222	2,307	–	88	6,222	2,395
Allowance on other receivables *(note a)*	19,540	–	–	–	19,540	–
Allowance for inventories *(note b)*	220,030	–	–	–	220,030	–
Loss on disposal of property, plant and equipment	–	321	–	1	–	322
Cost of agency service	–	14,551	–	–	–	14,551
and after crediting:						
Gross rental income	5,441	10,419	–	–	5,441	10,419
Less: direct operating expenses from investment properties that generated rental income during the year	(3,980)	(5,772)	–	–	(3,980)	(5,772)
Net rental income	1,461	4,647	–	–	1,461	4,647
Gain on disposal of property, plant and equipment	81	–	–	–	81	–

Notes:

(a) Amount represents advance to a shareholder of an associate and impairment is recognised during the year ended 31 December 2008 due to the financial difficulty of this shareholder of an associate.

(b) Allowance for inventories is recognised in view of the decrease in demand on the related merchandise and the amount is determined based on the merchandise's net realisable value.

17. 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 *(note 47)*:						
– 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	2007
	HK$'000	*HK$'000*
(Loss) profit before tax:		
Continuing operations	(2,352,329)	2,513,519
Discontinued operation	–	163,952
	(2,352,329)	2,677,471
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)
Tax charge for the year	885	8,808

18. DISCONTINUED OPERATION

During the year ended 31 December 2007, the Group's interest in VC decreased resulting from i) the exercise of certain VC share options by the share option holders, who are minority shareholders of VC, and ii) the two placements of shares by VC.

The first placement was completed in July 2007 where 50,680,000 shares were issued at HK$2.2 per share and the Company's shareholding in VC decreased to about 52.22%. VC remained a subsidiary of the Company after the first placement and the resulting gain on deemed disposal of partial interests in subsidiaries of approximately HK$37,194,000 during the year ended 31 December 2007, which represent the increase in the net assets of VC attributable to the Group's interest arising from the deemed disposal, was recognised during the year ended 31 December 2007.

The second placement was completed in September 2007 where 61,000,000 shares were issued at HK$4.2 per share and the Company's shareholding in VC decreased to about 43.57%. VC therefore becomes an associate of the Company after the second placement.

VC was therefore deemed disposed of and the Investment and Financial Services segment was therefore discontinued and a gain on deemed disposal of subsidiaries of approximately HK$78,080,000 was recognised during the year ended 31 December 2007.

The results and cash flows of this discontinued operation included in the consolidated income statement and the consolidated cash flow statement are set out below.

	2008	**2007**
	HK$'000	*HK$'000*
Profit for the year from discontinued operation		
Revenue	–	210,626
Other and investment income	–	1,334
Gain on deemed disposal of partial interests in subsidiaries	–	37,194
Finance costs	–	(19,862)
Expenses	–	(143,420)
Profit before tax	–	85,872
Income tax expense	–	(8,877)
Profit for the year	–	76,995
Gain on deemed disposal of subsidiaries	–	78,080
Profit for the year from discontinued operation	–	155,075
Cash flows from discontinued operation		
Net cash flows used in operating activities	–	(1,452,462)
Net cash flows from investing activities	–	612
Net cash flows from financing activities	–	1,442,633
Net cash outflows	–	(9,217)

19. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the seven (2007: seven) directors were as follows:

2008

	Mr. Ho, Lawrence Yau Lung	**Mr. Frank Tsui**	**Mr. Clarence Chung**	**Mr. Ng Ching Wo**	**Sir Roger Lobo**	**Dr. Lo Ka Shui**	**Mr. Sham Sui Leung**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	–	–	–	380	417	280	300	1,377
Other emoluments								
Salaries and other benefits	3,940	3,206	3,206	–	–	–	–	10,352
Retirement benefit scheme contributions	10	12	12	–	–	–	–	34
Share-based compensation	3,905	1,370	1,680	847	847	847	586	10,082
Total emoluments	7,855	4,588	4,898	1,227	1,264	1,127	886	21,845

2007

	Mr. Ho, Lawrence Yau Lung	**Mr. Frank Tsui**	**Mr. Clarence Chung**	**Mr. Ng Ching Wo**	**Sir Roger Lobo**	**Dr. Lo Ka Shui**	**Mr. Sham Sui Leung**	**Total**
	HK$'000 *(Note 1)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note 1)*	*HK$'000*
Fees	–	–	–	380	380	280	440	1,480
Other emoluments								
Salaries and other benefits	6,672	3,307	2,800	–	–	–	–	12,779
Retirement benefit scheme contributions	21	12	12	–	–	–	–	45
Share-based compensation	–	–	627	660	660	660	660	3,267
Total emoluments	6,693	3,319	3,439	1,040	1,040	940	1,100	17,571

Note 1: Mr. Ho, Lawrence Yau Lung and Mr. Sham Sui Leung were also the directors of VC, who received total emoluments of HK$432,000 and HK$140,000 thereof, respectively, and included in above.

A director waived emoluments of approximately HK$202,000 in the year ended 31 December 2008. No director waived or agreed to waive any emoluments in the year ended 31 December 2007. No emoluments have been paid to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

During the year, 3,148,520 share options and 1,379,320 awarded shares (2007: Nil) were granted to directors of the Company in respect of their services provided to the Group, further details are set out in note 50.

20. EMPLOYEES' EMOLUMENTS

Of five individuals with the highest emoluments in the Group, three are directors (2007: one director) of the Company whose emoluments are included in note 19 above. The emoluments of the remaining two (2007: four) individuals were as follows:

	2008	2007
	HK$'000	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	6,042	28,587
Retirement benefit scheme contributions	24	36
Share-based compensation	5,332	100
	11,398	28,723

Their emoluments were within the following bands:

	Number of employees	
	2008	2007
HK$3,500,001 to HK$4,000,000	1	–
HK$4,500,001 to HK$5,000,000	–	2
HK$7,500,001 to HK$8,000,000	1	–
HK$8,000,001 to HK$8,500,000	–	1
HK$11,000,001 to HK$11,500,000	–	1
	2	4

21. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
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.

22. (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	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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 long-term incentive schemes (see note 50) 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.

23. INVESTMENT PROPERTIES

	THE GROUP
	HK$'000
FAIR VALUE	
At 1 January 2007	141,940
Net increase in fair value recognised in the consolidated income statement	10,060
At 31 December 2007 and 1 January 2008	152,000
Net increase in fair value recognised in the consolidated income statement	14,000
At 31 December 2008	166,000

The carrying value of investment properties shown above comprises:

	2008	**2007**
	HK'000	*HK'000*
Properties in Hong Kong	106,000	85,000
Properties in Macau	60,000	67,000
	166,000	152,000

The Group's investment properties comprise leasehold land in Hong Kong and Macau held under long term lease and short term lease respectively.

The fair value of the Group's investment properties at 31 December 2008 and 31 December 2007 have been arrived at on the basis of a valuation carried out on that date by Savills (Macau) Limited, an independent qualified professional valuer not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in similar location.

All of the Group's property interests held under operating leases to earn rentals and/or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

24. PROPERTY, PLANT AND EQUIPMENT

	Restaurant vessels, ferries and pontoons	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Gaming machine	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP							
COST							
At 1 January 2007	63,724	140	13,550	83,306	683	1,895	163,298
Exchange adjustments	–	–	8	24	–	26	58
Additions	8,761	–	13,640	18,394	137,338	1,041	179,174
Acquisition of subsidiaries	–	–	3,321	22,869	171,940	1,454	199,584
Disposal of subsidiaries	–	–	(9,196)	(42,182)	(309,080)	(1,666)	(362,124)
Disposals	–	–	(1,797)	(3,040)	–	(60)	(4,897)
At 31 December 2007	72,485	140	19,526	79,371	881	2,690	175,093
Exchange adjustments	–	–	108	53	–	71	232
Additions	1,730	–	983	8,086	8,972	–	19,771
Disposals	(60)	(140)	(4,706)	(3,872)	–	(700)	(9,478)
Transferred to inventories	–	–	–	–	(9,853)	–	(9,853)
At 31 December 2008	74,155	–	15,911	83,638	–	2,061	175,765
ACCUMULATED DEPRECIATION							
At 1 January 2007	43,000	57	9,944	69,670	34	648	123,353
Exchange adjustments	–	–	5	19	–	14	38
Provided for the year	3,688	3	4,174	7,744	4,310	462	20,381
Disposal of subsidiaries	–	–	(4,688)	(14,868)	(4,151)	(33)	(23,740)
Disposals	–	–	(1,733)	(2,807)	–	(35)	(4,575)
At 31 December 2007	46,688	60	7,702	59,758	193	1,056	115,457
Exchange adjustments	–	–	–	6	–	19	25
Provided for the year	3,949	3	8,900	8,334	140	412	21,738
Disposals	–	(63)	(2,759)	(1,153)	–	(124)	(4,099)
Transferred to inventories	–	–	–	–	(333)	–	(333)
At 31 December 2008	50,637	–	13,843	66,945	–	1,363	132,788
CARRYING VALUES							
At 31 December 2008	23,518	–	2,068	16,693	–	698	42,977
At 31 December 2007	25,797	80	11,824	19,613	688	1,634	59,636

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Restaurant vessels, ferries and pontoons	5% to 10%
Buildings	2.5% to 4%
Leasehold improvements	20% or over the lease terms, whichever is shorter
Furniture, fixtures and equipment	10% to $33^1/_3$%
Gaming machine	20%
Motor vehicles	10% to 20%

At 31 December 2007, the Group's building of approximately HK$80,000 was located in Hong Kong under long term lease.

25. OTHER INTANGIBLE ASSETS

	THE GROUP
	HK$'000
COST	
At 1 January 2007	3,839
Acquired on acquisition of subsidiaries	43,787
Disposal of subsidiaries	(45,626)
At 31 December 2007, 1 January 2008 and 31 December 2008	2,000
IMPAIRMENT	
At 1 January 2007	1,292
Disposal of subsidiaries	(1,292)
At 31 December 2007, 1 January 2008 and 31 December 2008	–
CARRYING VALUE	
At 31 December 2008	2,000
At 31 December 2007	2,000

	THE COMPANY
	HK$'000
COST	
At 1 January 2007, 1 January 2008 and 31 December 2008	2,000

Other intangible assets represent club memberships with indefinite useful lives and are tested for impairment annually by comparing their carrying amounts with their recoverable amounts.

26. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
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 exchangeable bonds which are 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. As disclosed in note 43, Melco Crown SPV is a joint venture for the issuance of exchangeable bonds ("Exchangeable Bonds") which can be convertible to shares of Melco Crown Entertainment, an associate of the Group. The income of this jointly controlled entity attributable to the Group's interests includes an amount of approximately HK$270,115,000 representing fair value gain on 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 27 and 30). 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	2007
	HK$'000	*HK$'000*
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

27. INTERESTS IN ASSOCIATES

	2008	2007
	HK$'000	*HK$'000*
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)
	7,126,710	8,689,271
Fair value of listed investments *(note a)*	4,249,846	16,521,660
Carrying amount of interests in associates with shares listed on respective stock exchanges	7,078,723	8,051,353

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 2008	2007	Principal activities
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 and convertible preference 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 30
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. 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 30). The Group's effective interest in MelcoLot Limited would be increased to 31.5% on a fully-dilute 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.

During the year ended 31 December 2008, the Group's interests in certain associates have been changed with details disclosed below. A gain on changes in interests in associates amounted to approximately HK$48,466,000 (2007: HK$1,549,361,000) has been recognised in profit or loss.

(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's 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 30, 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
	HK$'000	*HK$'000*
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)

28. INVESTMENT IN SUBSIDIARIES

	THE COMPANY	
	2008	2007
	HK$'000	*HK$'000*
Unlisted shares, at cost	1,040,712	966,495

Details of the Company's principal subsidiaries at 31 December 2008 are set out in note 59.

29. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2008	2007
	HK$'000	*HK$'000*
Unlisted equity security *(Note)*	11,403	19,837
Equity securities listed in Hong Kong	27,690	136,500
	39,093	156,337

Note: Unlisted equity security which represents unlisted equity investment held by a subsidiary of the Company in an investment holding company is stated at fair value. The investee is engaged in investment in listed and unlisted equity and debt investment. An impairment loss of approximately HK$8,434,000 (2007: Nil) is recognised with reference to the estimated fair value of underlying listed and unlisted equity and debt investment held by this investment holding company.

30. 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 derivative. As discussed in note 26, 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.

31. GOODWILL

	THE GROUP *HK$'000*
At 1 January 2007	16,878
Acquired on acquisition of a subsidiary	1,464,150
Deemed disposal of partial interests in subsidiaries	(248,518)
Deemed disposal of subsidiaries *(note 52)*	(1,223,955)
At 1 January 2008 and 31 December 2008	8,555

Particulars regarding impairment testing on goodwill are disclosed in note 32.

32. IMPAIRMENT TESTING ON GOODWILL

The Group

As explained in note 8, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill with indefinite useful lives set out in note 31 have been allocated to the individual cash generating units (CGU). The carrying amount of goodwill as at 31 December 2008 allocated to these units are as follows:

	Goodwill	
	2008	**2007**
	HK$'000	*HK$'000*
Technology business	8,555	8,555

During the year ended 31 December 2008, management of the Group determines that there are no impairment of any of its CGUs containing goodwill.

The recoverable amounts of the above CGUs have been determined on the basis of value in use calculations. All value in use calculations use cash flow projections based on financial budgets approved by management covering a 3-years period, which represents the management's best estimate of future cash flow from the CGUs, and a discount rate of approximately 16% (2007: 16%). The cash flows beyond the 3-year period are extrapolated using a zero growth rate for an indefinite period. Another key assumption is the budgeted revenue which is determined based on the CGUs' past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amounts of the above CGUs to exceed the aggregate recoverable amounts of the above CGUs.

33. INVENTORIES

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Food and beverages	1,085	1,002
Consumables	639	3,262
Merchandise	55,928	21,500
	57,652	25,764

Included in the inventories are merchandise of HK$52,875,000 carried at net realisable value.

34. TRADE RECEIVABLES

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Trade receivables *(Notes a & b)*	63,192	263,015
Allowance for doubtful receivables	(7,502)	(3,310)
	55,690	259,705

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

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Within 30 days	15,901	200,792
31 – 90 days	12,299	7,665
Over 90 days	27,490	51,248
	55,690	259,705

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	**2007**
	HK$'000	*HK$'000*
Within 30 days	3,806	8,786
31-90 days	12,299	7,540
Over 90 days	27,490	50,165
Total	43,595	66,491

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

Movement in the allowance for doubtful debts

	2008 HK$'000	2007 HK$'000
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)
Balance at the end of the year	7,502	3,310

35. HELD-FOR-TRADING INVESTMENTS

The Group

Held-for-trading investments as at 31 December 2008 represents equity securities listed in Hong Kong of approximately HK$150,000 (2007: HK$430,000).

36. DERIVATIVE FINANCIAL INSTRUMENTS

The Group

As a result of a series of transactions with EGT (note 12), 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) First 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 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 27(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 2008 and 2007 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 represents the decrease in fair value of the EGT First 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 First Warrants and Second Warrants was recognised in the consolidated income statement, which represented the fair value change of the First Warrants from date of purchase to the date that EGT became subsidiary plus the fair value change of First Warrants from the date that EGT became an associate to the year ended 31 December 2007.

37. AMOUNTS DUE FROM (TO) ASSOCIATES

The Group

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. The Group 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) (note 12) 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.

The Company

Included in amounts due from associates are amounts of approximately HK$41,900,000 (2007: HK$241,900,000) which are unsecured, interest bearing at HIBOR plus 1.25% to 2% per annum and repayable upon written notice given from the Company. The remaining amounts due from (to) associates are unsecured, non-interest bearing and repayable on demand.

38. AMOUNTS DUE FROM (TO) SUBSIDIARIES

The Company

As at 31 December 2008, amounts due from subsidiaries are unsecured and interest free. Except for amounts due from subsidiaries of approximately HK$55,327,000 (2007: Nil) which is repayable within one year, the remaining amounts due from subsidiaries are repayable after one year. Deemed interest income from amounts due from subsidiaries repayable after one year is derived from interest rate of HIBOR plus 1.5% (2007: HIBOR plus 1.5%) per annum, which is the Group's borrowing rate of similar term.

As at 31 December 2008, amounts due to subsidiaries includes i) approximately HK$526,000 (2007: HK$129,000) which are unsecured, interest free and repayable on demand; ii) HK$6,400,000 (2007: Nil) which are unsecured, interest bearing at HIBOR plus 2% per annum; and repayable within one year; and iii) HK$46,600,000 (2007: Nil) which is unsecured, interest bearing at HIBOR plus 2% and repayable after one year, and the remaining amounts due to subsidiaries are unsecured, interest fee and repayable on demand.

39. PLEDGE OF ASSETS

The Group and the Company

At 31 December 2008, the Group and the Company 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 and the Company 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 55).

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

40. BANK DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS/BANK BALANCES AND CASH

The Group and the Company

Bank deposits with original maturity over three months carry fixed interest rate at about 2.9% (2007: Nil) per annum.

Bank balances and cash comprises cash held by the Group and the Company and short-term bank deposits with an original maturity of three months or less and carries prevailing market interest rate at about 2.8% (2007: 2.0%) per annum.

41. TRADE PAYABLES

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

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

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.

42. SHAREHOLDER'S LOAN

The Group and the Company

The amount is unsecured, interest bearing at prime rate plus 3% per annum and repayable within twelve months from the balance sheet date.

43. FINANCIAL GUARANTEE LIABILITY

The Group and the Company

On 30 July 2007, the Company and Crown Limited, a major shareholder of Melco Crown Entertainment, formed a 50:50 joint venture, Melco Crown SPV, for the purpose of issuing Exchangeable Bonds with an aggregate principal amount of HK$1,950 million (US$250 million), to fund a share purchase program for acquiring ADS of Melco Crown Entertainment. In September 2007, the Exchangeable Bonds with an aggregate principal amount of HK$1,950 million (US$250 million) were issued which will mature in September 2012 and have been listed on the Singapore Stock Exchange Limited. The Exchangeable Bonds are jointly and severally guaranteed by the Company and Crown Limited. The financial guarantee liability is recognised initially at its fair value of approximately HK$225,706,000 with a respective increase in interest in Melco Crown SPV.

During the year ended 31 December 2008, approximately HK$45,217,000 (2007: HK$45,217,000) is amortised as financial guarantee income included in other income of the consolidated income statement. As at 31 December 2008, the carrying amount of the financial guarantee liability is approximately HK$167,025,000 (2007: HK$212,242,000) of which approximately HK$45,217,000 (2007: HK$45,217,000) is shown as current liability and the remaining amount of approximately HK$121,808,000 (2007: HK$167,025,000) is shown as non-current liability. As at 31 December 2008, the directors of the Company consider that there is no event that leads to the recognition of additional provision in respect of the guarantee granted.

The fair value of the financial guarantee at initial recognition is calculated using the binominal model and the inputs into the model were as follows:

Expected volatility	37%
Interest rate	3.9% – 4.3%
Dividend yield	Nil

44. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Secured	83,000	–	–	–
Unsecured	230,000	80,000	230,000	80,000
	313,000	80,000	230,000	80,000
Carrying amount repayable:				
Within one year	96,400	80,000	80,000	80,000
More than one year, but not exceeding two years	166,400	–	150,000	–
More than two years, but not exceeding five years	50,200	–	–	–
	313,000	80,000	230,000	80,000
Less: Amounts due within one year shown under current liabilities	(96,400)	(80,000)	(80,000)	(80,000)
	216,600	–	150,000	–

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.

45. CONVERTIBLE LOAN NOTE

The Group and the Company

On 5 September 2005, the Company issued a convertible loan note due on 4 September 2010 with principal amount of HK$1,175,000,000, which is non-interest bearing. This convertible loan note was issued for the acquisition of additional interest of a piece of land at Cotai, Macau. This convertible loan note is convertible into fully paid ordinary shares of HK$0.5 each of the Company at a conversion price of HK$9.965 per share (subject to anti-dilutive adjustment) and is convertible any time for a period of 5 years from the date of issuance until, and including, the maturity date which is 4 September 2010.

The convertible loan note contains two components, liability and equity elements. The equity element is presented in equity heading "convertible loan note equity reserve". At 31 December 2008, the effective interest rate of the liability component is 6.25% (2007: 4.5% – 6.25%) per annum.

The movement of the liability component of the convertible loan notes for the year is set out below:

	2008	**2007**
	HK$'000	*HK$'000*
Carrying amounts at the beginning of the year	999,399	1,093,459
Redemption of convertible loan notes	–	(153,349)
Interest on convertible loan notes *(Note 15)*	62,462	62,382
Interest paid	–	(3,093)
Carrying amount at the end of the year shown as non-current liabilities	1,061,861	999,399

46. LONG TERM PAYABLE

The amount represents payable to Crown Limited arising from an arrangement to dispose of certain subsidiaries of the Company to Melco Crown Entertainment during the year ended 31 December 2006. The principal amount of HK$180,000,000 is stated at amortised cost and is unsecured, non-interest bearing and not repayable within twelve months from the balance sheet date.

During the year ended 31 December 2008, the repayment date of the long term payable of HK$180,000,000 has been extended from May 2009 to May 2010 (2007: from May 2008 to May 2009) such that a gain of approximately HK$2,517,000 (2007: HK$9,656,000) was recognised. As at 31 December 2008, the effective interest rate of the long term payable is 3.1% (2007: 5.0%).

47. DEFERRED TAX ASSETS

The Group

The followings are the major deferred tax (liabilities) assets recognised by the Group and movements thereon during the year and prior reporting period:

	THE GROUP		
	Accelerated tax depreciation	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2007	(10,262)	13,043	2,781
Disposal of subsidiaries *(Note 52)*	–	(1,100)	(1,100)
(Charge) credit to consolidated income statement for the year	(1,325)	1,236	(89)
At 1 January 2008	(11,587)	13,179	1,592
(Charge) credit to consolidated income statement for the year	(2,217)	1,435	(782)
Effect of change in tax rate	664	(755)	(91)
At 31 December 2008	(13,140)	13,859	719

As at the balance sheet date, the Group has unused tax losses of approximately HK$402,679,000 (2007: HK$279,550,000). A deferred tax asset has been recognised in respect of HK$84,004,000 (2007: HK$75,306,000) tax losses to the extent that realisation of the related tax benefit through future taxable profit is probable. A deferred tax asset is recognised on the consolidated balance sheet in view that the relevant subsidiary in the Technology segment (2007: Technology segment) has been profit making in recent years. No deferred tax asset has been recognised in respect of the remaining tax loss due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$2,826,000, HK$5,996,000 and HK$1,438,000 that will expire in 2009, 2010 and 2011 respectively. All other losses may be carried forward indefinitely.

The Company

As at 31 December 2008, the Company has approximately HK$67,098,000 (2007: HK$1,109,000) unused tax loss. No deferred tax asset has been recognised in respect of the tax loss due to the unpredictability of future profit streams. Tax loss may be carried forward indefinitely.

48. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2008	**2007**	**2008**	**2007**
			HK$'000	*HK$'000*
Authorised:				
At the beginning of the year of HK$0.5 each	2,000,000,000	1,400,000,000	1,000,000	700,000
Increase in authorised ordinary share capital *(note)*	–	600,000,000	–	300,000
At the end of the year of HK$0.5 each	2,000,000,000	2,000,000,000	1,000,000	1,000,000
Issued and fully paid:				
At the beginning of the year of HK$0.5 each	1,228,475,716	1,228,150,716	614,238	614,075
Exercise of shares options	855,400	325,000	428	163
At the end of the year of HK$0.5 each	1,229,331,116	1,228,475,716	614,666	614,238

Note: On 10 May 2007, an ordinary resolution was passed by the shareholders of the Company to approve the increase in authorised ordinary share capital of the Company from HK$700,000,000 to HK$1,000,000,000 by the creation of 600,000,000 new shares of HK$0.5 each.

As at 31 December 2008, the Company's 2,151,890 (2007: Nil) issued shares with an aggregate nominal value of approximately HK$1,076,000 (2007: Nil) were held by the Company's share purchase scheme.

49. RESERVES

	Share premium HK$'000	Capital reserve HK$'000 (Note)	Convertible loan notes equity reserve HK$'000	Share options reserve HK$'000	Shares held under share award scheme HK$'000	Share award reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
THE COMPANY								
At 1 January 2007	3,124,940	296,016	327,677	12,726	–	–	(223,760)	3,537,599
Profit for the year	–	–	–	–	–	–	100,036	100,036
Exercise of share options	432	–	–	–	–	–	–	432
Recognition of equity – settled share based payment	–	–	–	9,393	–	–	–	9,393
Transfer to share premium upon exercise of share options	113	–	–	(113)	–	–	–	–
Transfer of share option reserve upon expiry of share options	–	–	–	(48)	–	–	48	–
Early redemption of convertible loan notes	–	–	(20,424)	–	–	–	8,946	(11,478)
Dividend paid	–	(12,282)	–	–	–	–	–	(12,282)
At 31 December 2007	3,125,485	283,734	307,253	21,958	–	–	(114,730)	3,623,700
Loss for the year	–	–	–	–	–	–	(207,034)	(207,034)
Exercise of share options	4,703	–	–	–	–	–	–	4,703
Recognition of equity – settled share based payment	–	–	–	13,271	–	7,365	–	20,636
Transfer to share premium upon exercise of share options	1,254	–	–	(1,254)	–	–	–	–
Transfer of share option reserve upon expiry of share options	–	–	–	(1,337)	–	–	1,337	–
Purchase of shares for unvested shares under the share award schemes	–	–	–	–	(24,000)	–	–	(24,000)
Share vested under the share award schemes	–	–	–	–	2,912	(3,227)	315	–
Dividend paid	–	(12,271)	–	–	–	–	–	(12,271)
At 31 December 2008	3,131,442	271,463	307,253	32,638	(21,088)	4,138	(320,112)	3,405,734

Note: Pursuant to a scheme of capital reduction, which became effective on 29 June 1993, the Supreme Court of Hong Kong approved the cancellation of the Company's share premium account which, on that date, was stated at HK$127,274,212. By virtue of the same court's sanction, the issued and fully paid share capital of the Company was also reduced by HK$230,510,521 through a reduction in the nominal value of the share capital of the Company. The credits arising from the cancellation of the share premium account and the reduction of the share capital account, in the aggregate amount of HK$357,784,733 were transferred to a capital reserve account. The capital reserve account is distributable to the shareholders of the Company if there is no outstanding debt or claim against the Company which was in existence on the effective date of the capital reduction. In view of the fact that the Company receives no claim, demand, action or proceedings in respect of any such debt or claim since June 1993 and in view of the fact that any such debt or claim has been statute-barred under Hong Kong law and irrecoverable against the Company, the Company is of the view that the reserve is distributable to the Company's shareholders.

50. LONG-TERM INCENTIVE SCHEMES

Share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's executive or non-executive directors, executives, employees, consultants, professionals and other advisers of the Group. The Scheme became effective on 8 March 2002 following its approval by the Company's shareholders at an extraordinary general meeting on the same date and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares of the Company which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme must not exceed 30% of the total issued share capital of the Company from time to time. The total number of shares which may be issued upon the exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of the Company's shares in issue as at 18 May 2005, which was the date when scheme mandate limit of the Scheme was last refreshed, i.e. 49,101,927 shares of HK$1.00 each (adjusted to 98,203,854 shares of HK$0.5 each after capital reorganization of the Company which became effective from 19 May 2005). The Company may seek approval of the Company's shareholders in a general meeting for refreshing the 10% limit under the Scheme save that the total number of shares of the Company which may be issued upon the exercise of all options to be granted under the Scheme under the limit as "refreshed" may not exceed 10% of the total number of the shares of the Company in issue as at the date of approval of the limit. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

As at 31 December 2008, a total of 86,102,334 shares of the Company (representing approximately 7.00% of the existing issued share capital of the Company) are available for issue under the Scheme.

Share options granted to directors, chief executive or substantial shareholders of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued upon the exercise of all options granted to such person within any 12-month period being more than 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 14 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of grant.

The exercise price in relation to each option shall be determined by the Board of Directors of the Company (the "Board") in its absolute discretion, but in any event shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date when an option is offered; (ii) a price being the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an option is offered; and (iii) the nominal value of a share of the Company on the date of the offer of an option.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year ended 31 December 2008:

	Number of share options												
Category of participant	Outstanding at 1.1.2007	Reclassified during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2007	Reclassified during the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2008	Date of grant of share options	Share price at date of grant of share options *HK$*	Exercise price of share options *HK$*
Directors[4]	140,000	–	–	–	140,000	–	–	(140,000)	–	–	17 September 2004	1.6875	1.6875
Directors[5]	200,000	–	–	–	200,000	–	–	–	–	200,000	1 February 2005	7.4	7.4
Directors[6]	400,000	–	–	–	400,000	–	–	–	–	400,000	13 February 2006	11.75	11.8
Directors[7]	900,000	–	–	–	900,000	–	–	–	–	900,000	3 April 2006	15.7	15.87
Directors[8]	–	–	–	–	–	–	204,000	–	–	204,000	28 February 2008	11.5	11.5
Directors[9]	–	–	–	–	–	–	1,316,520	–	–	1,316,520	1 April 2008	10.7	10.804
Directors[10]	–	–	–	–	–	–	1,628,000	–	–	1,628,000	17 December 2008	2.02	2.02
Sub-total	1,640,000	–	–	–	1,640,000	–	3,148,520	(140,000)	–	4,648,520			
Employees[11]	1,020,000	(400,000)	–	–	620,000	–	–	(70,000)	–	550,000	17 September 2004	1.6875	1.6875
Employees[12]	585,400	380,000	(25,000)	(35,000)	905,400	–	–	(625,400)	(50,000)	230,000	1 February 2005	7.4	7.4
Employees[13]	3,400,000	650,000	–	–	4,050,000	(1,470,000)	–	–	(50,000)	2,530,000	13 February 2006	11.75	11.8
Employees[14]	–	–	–	–	–	(39,000)	1,163,100	–	–	1,124,100	1 April 2008	10.7	10.804
Employees[15]	–	–	–	–	–	–	1,844,000	–	–	1,844,000	17 December 2008	2.02	2.02
Sub-total	5,005,400	630,000	(25,000)	(35,000)	5,575,400	(1,509,000)	3,007,100	(695,400)	(100,000)	6,278,100			
Others[20]	200,000	–	(200,000)	–	–	–	–	–	–	–	19 February 2004	1.2025	1.2025
Others[16, 20]	9,600,000	400,000	(100,000)	–	9,900,000	–	–	–	–	9,900,000	17 September 2004	1.6875	1.6875
Others[20]	400,000	(380,000)	–	–	20,000	–	–	(20,000)	–	–	1 February 2005	7.4	7.4
Others[17, 20]	1,200,000	(650,000)	–	–	550,000	1,470,000	–	–	(300,000)	1,720,000	13 February 2006	11.8	11.8
Others[18, 20]	–	–	–	–	–	39,000	45,900	–	–	84,900	1 April 2008	10.7	10.804
Sub-total	11,400,000	(630,000)	(300,000)	–	10,470,000	1,509,000	45,900	(20,000)	(300,000)	11,704,900			
Total	18,045,400	–	(325,000)	(35,000)	17,685,400	–	6,201,520	(855,400)	(400,000)	22,631,520			
Exercisable at the end of the year	10,700,00				10,375,000					12,519,500			

Notes:

1. The vesting period of the options is from the date of grant until the commencement of the exercisable period.

2. The number of share granted and the exercise price of the options were adjusted after the completion of the rights issue in 24 September 2003 and share subdivision on 19 May 2005.

3. As at 31 December 2008, the Company had 22,631,520 options outstanding under the Scheme. The exercise in full of the outstanding options would, under the present capital structure of the Company, result in the issue of 22,631,520 additional ordinary shares of the Company and additional share capital of approximately HK$11,316,000 and share premium of approximately HK$115,299,000 before issuance expenses.

4. In respect of the share options exercised during the year, the weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised and the date of exercise was HK$10.74.

5. The 200,000 share options may be exercised during the period from 17 September 2009 to 7 March 2012.

6. Among the 400,000 share options, 130,000 share options may be exercised during the period from 1 April 2008 to 31 January 2016, 130,000 share options may be exercised during the period from 1 April 2010 to 31 January 2016 and 140,000 share options may be exercised during the period from 1 April 2012 to 31 January 2016.

7. Among the 900,000 share options, 300,000 share options may be exercised during the period from 3 April 2008 to 2 April 2016, 300,000 share options may be exercised during the period from 3 April 2010 to 2 April 2016 and 300,000 share options may be exercised during the period from 3 April 2012 to 2 April 2016.

8. Among 204,000 share options, 68,000 share options may be exercised during the period from 1 April 2009 to 27 February 2018, 68,000 share options may be exercised during the period from 1 April 2010 to 27 February 2018 and 68,000 share options may be exercised during the period from 1 April 2011 to 27 February 2018.

9. Among 1,316,520 share options, 438,840 share options may be exercised during the period from 1 April 2009 to 31 March 2018, 438,840 share options may be exercised during the period from 1 April 2010 to 31 March 2018 and 438,840 share options may be exercised during the period from 1 April 2011 to 31 March 2018.

10. Among 1,628,000 share options, 271,333 share options may be exercised during the period from 1 February 2009 to 16 December 2018, 271,333 share options may be exercised during the period from 1 May 2009 to 16 December 2018, 271,333 share options may be exercised during the period from 1 August 2009 to 16 December 2018, 271,333 share options may be exercised during the period from 1 November 2009 to 16 December 2018, 271,333 share options may be exercised during the period from 1 February 2010 to 16 December 2018 and 271,335 share options maybe exercised during the period from 1 May 2010 to 16 December 2018.

11. Among the 550,000 options, 170,000 share options may be exercised during the period from 17 March 2005 to 7 March 2012, 250,000 share options may be exercised during the period from 17 September 2005 to 7 March 2012, 110,000 share options may be exercised during the period from 17 September 2006 to 7 March 2012 and 20,000 share options may be exercised during the period from 17 March 2008 to 7 March 2012.

12. As at 31 December 2008, 230,000 share options may be exercised during the period from 17 March 2008 to 7 March 2012.

13. Among the 2,530,000 share options, 882,000 share options may be exercised during the period from 1 April 2008 to 31 January 2016, 842,000 share options may be exercised during the period from 1 April 2010 to 31 January 2016, 596,000 share options may be exercised during the period from 1 April 2012 to 31 January 2016, 68,000 share options may be exercised during the period from 3 April 2008 to 31 January 2016, 68,000 share options may be exercised during the period from 3 April 2010 to 31 January 2016 and 74,000 share options may be exercised during the period from 3 April 2012 to 31 January 2016.

14. Among the 1,124,100 share options, 374,700 share options may be exercised during the period from 1 April 2009 to 31 March 2018, 374,700 share options may be exercised during the period from 1 April 2010 to 31 March 2018 and 374,700 share options may be exercised during the period from 1 April 2011 to 31 March 2018.

15. Among 1,844,000 share options, 307,329 share options may be exercised during the period from 1 February 2009 to 16 December 2018, 307,329 share options may be exercised during the period from 1 May 2009 to 16 December 2018, 307,329 share options may be exercised during the period from 1 August 2009 to 16 December 2018, 307,329 share options may be exercised during the period from 1 November 2009 to 16 December 2018, 307,329 share options may be exercised during the period from 1 February 2010 to 16 December 2018 and 307,355 share options may be exercised during the period from 1 May 2010 to 16 December 2018.

16. Among the 9,900,000 share options, 4,800,000 share options may be exercised during the period from 17 March 2005 to 7 March 2012, 4,900,000 share options may be exercised during the period from 17 September 2005 to 7 March 2012, 100,000 share options may be exercised during the period from 17 September 2006 to 7 March 2012 and 100,000 share options may be exercised during the period from 17 March 2008 to 7 March 2012.

17. Among the 1,720,000 share options, 430,500 share options may be exercised during the period from 1 April 2008 to 31 January 2016, 467,000 share options may be exercised during the period from 1 April 2010 to 31 January 2016, 732,500 share options may be exercised during the period from 1 April 2012 to 31 January 2016, 29,000 share options may be exercised during the period from 3 April 2008 to 31 January 2016, 29,000 share options may be exercised during the period from 3 April 2010 to 31 January 2016 and 32,000 share options may be exercised during the period from 3 April 2012 to 31 January 2016.

18. Among the 84,900 share options, 28,300 share options may be exercised during the period from 1 April 2009 to 31 March 2018, 28,300 share options may be exercised during the period from 1 April 2010 to 31 March 2018 and 28,300 share options may be exercised during the period from 1 April 2011 to 31 March 2018.

19. During both years, no share options were cancelled under the Scheme.

20. Others represent share options granted to former directors and former employees of the Group granted as when have employment within the group.

During the year ended 31 December 2008, share options were granted on 28 February 2008, 1 April 2008 and 17 December 2008. The estimated fair values of the options granted on those dates are approximately HK$1,199,000, HK$13,614,000 and HK$3,994,000 respectively. The weighted average fair value of options granted during the year ended 31 December 2008 is HK$3.0.

These fair values were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	Shares options grant date		
	28 February 2008	**1 April 2008**	**17 December 2008**
Exercise price	HK$11.5	HK$10.804	HK$2.02
Expected volatility	51.84%	53.34%	68.94%
Expected life	6.0 years	5.5 – 6.0 years	5.4 years
Risk-free rate	2.571%	2.132% – 2.220%	1.290%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 4 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Company and the Group recognised the total expenses of approximately HK$13,271,000 and HK$13,271,000, respectively, for the year ended 31 December 2008 (2007: HK$9,393,000 and HK$9,657,000, respectively, in relation to the share options granted by the Company and the Group) in relation to the share options granted by the Company.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Share award schemes

On 18 October 2007, the Company adopted two share incentive award schemes, namely The Melco Share Purchase Scheme Trust (the "Share Purchase Scheme") and The Melco Share Award Scheme Trust (the "Share Subscription Scheme").

The purpose of each of the Share Purchase Scheme and the Share Subscription Scheme is to encourage and facilitate the acquisition and holding of shares in the Company, by and for the benefit of such employees of the Company and any subsidiary of the Company (the "Subsidiary"). The shares of the Company (the "Shares") to be awarded pursuant to the Share Purchase Scheme and/or the Share Subscription Scheme may be awarded in such manner as the Board may determine from time to time in order to recognise the contribution of certain employees, to seek to retain them for the continued operation and development of the Group, and to attract suitable personnel for the further development of the Group.

A summary of the principal terms of the Share Purchase Scheme and Share Subscription Scheme and movements of the awarded shares under these schemes are set out below:

Share Purchase Scheme

The Share Purchase Scheme has a term of 20 years from the date of its adoption until 17 October 2027. The scheme limit of this scheme is 2% of the ordinary issued share capital of the Company from time to time (excluding shares which have already been transferred to employees on vesting).

The Board may, subject to the rules relating to the Share Purchase Scheme, from time to time at its absolute discretion select any employee (including any director of the Company or the Subsidiary) to be a participant in the Share Purchase Scheme. The Board or the trustee of this scheme (as the case may be) shall either (1) set aside a sum of money or (2) determine a number of Shares which it wishes to be the subject of a bonus or award under the Share Purchase Scheme. Where a sum of money has been set aside (or a number of Shares has been determined), it shall pay (or cause to be paid) that amount or an amount sufficient to purchase that number of Shares to the trustee (or as it shall direct) from the Group's resources as soon as practicable following such funds being set aside. Within 15 business days of receiving the amount sufficient to purchase that number of Shares, the trustee shall apply the same towards the purchase of Shares on the Stock Exchange.

Vesting of the Shares will be conditional on the selected employee remaining an employee of the Company or a Subsidiary until the vesting date. The Board also has the discretion to stipulate such other conditions in respect of a particular employee which will apply to the vesting of the Shares. An award will lapse where the company or the business division by which the selected employee is employed ceases to be part of the Group or in the event the selected employee does not deliver the notice of exercise within the prescribed time limit to the trustee for the purpose of exercising his rights to receive the vested Shares.

Where Shares which are referable to a selected employee do not vest or are not acquired by selected employees in accordance with the above procedures, the trustee shall hold such Shares or any income deriving therefrom exclusively for the benefit of all selected employees of the Group as the trustee determines in its absolute discretion, after having taken into consideration recommendations of the Board.

The Board may by resolution terminate the operation of the Share Purchase Scheme at any time provided that such termination shall not affect any subsisting rights of any selected employee. If, at the date of such termination, the trustee holds Shares which have not vested, then the trustee shall within 21 business days of receiving notice of such termination sell such Shares and remit the proceeds of sale (after deductions) to the Company.

During the year ended 31 December 2008, the following Shares were awarded to the directors and selected employees of the Company and/or its subsidiaries pursuant to the terms of the rules and trust deed of the Share Purchase Scheme:

	Number of awarded shares						
Category of participant	Outstanding at 01.01.2008	Awarded during the year	Vested during the year	Outstanding at 31.12.2008	Share price at date of award	Date of award	Vesting date
Directors	–	60,000	(60,000)	–	HK$11.50	28.02.2008	31.03.2008
Directors	–	60,000	–	60,000	HK$11.50	28.02.2008	31.03.2009
Directors	–	60,000	–	60,000	HK$11.50	28.02.2008	31.03.2010
Directors	–	16,000	–	16,000	HK$11.50	28.02.2008	01.04.2009
Directors	–	16,000	–	16,000	HK$11.50	28.02.2008	01.04.2010
Directors	–	16,000	–	16,000	HK$11.50	28.02.2008	01.04.2011
Directors	–	131,790	(131,790)	–	HK$10.70	01.04.2008	01.04.2008
Directors	–	131,765	–	131,765	HK$10.70	01.04.2008	01.04.2009
Directors	–	131,765	–	131,765	HK$10.70	01.04.2008	01.04.2010
Directors	–	125,998	–	125,998	HK$2.02	17.12.2008	01.02.2009
Directors	–	125,998	–	125,998	HK$2.02	17.12.2008	01.05.2009
Directors	–	125,998	–	125,998	HK$2.02	17.12.2008	01.08.2009
Directors	–	125,998	–	125,998	HK$2.02	17.12.2008	01.11.2009
Directors	–	125,998	–	125,998	HK$2.02	17.12.2008	01.02.2010
Directors	–	126,010	–	126,010	HK$2.02	17.12.2008	01.05.2010
Sub-total	–	1,379,320	(191,790)	1,187,530			
Employees	–	105,320	(105,320)	–	HK$10.70	01.04.2008	01.04.2008
Employees	–	105,320	–	105,320	HK$10.70	01.04.2008	01.04.2009
Employees	–	105,320	–	105,320	HK$10.70	01.04.2008	01.04.2010
Sub-total	–	315,960	(105,320)	210,640			
Total	–	1,695,280	(297,110)	1,398,170			

Share Subscription Scheme

The Share Subscription Scheme has a term of 20 years from the date of its adoption until 17 October 2027. The scheme limit of this scheme is 2% of the ordinary issued share capital of the Company from time to time (excluding Shares which have already been transferred to employees on vesting).

The Board may, from time to time at its absolute discretion select any employee (excluding any director of the Company or any Subsidiary) to be a participant of the Share Subscription Scheme. The Board or the trustee of this scheme (as the case may be) shall at its discretion either (i) determine a notional cash amount or (ii) determine a number of Shares (the "Number of Awarded Shares") which it wishes to be the subject of an award under the Share Subscription Scheme. Where a notional cash amount has been determined by the Board, the Board shall determine the maximum number of Shares (the "Relevant Number of Shares"), rounded down to the nearest whole number which could be purchased with such notional cash amount on the Stock Exchange at the market price prevailing on the date of the award. The Company shall pay (or cause to be paid) an amount or an amount equal to the par value of either (i) the Relevant Number of Shares (where the Board has determined a notional cash amount) or (ii) the Number of Awarded Shares (where the Board has determined such number) to the trustee (or as it shall direct) from the Group's resources as soon as practicable in accordance with the rules relating to the Share Subscription Scheme.

Vesting of the Shares will be conditional on the selected employee remaining an employee of the Company or a Subsidiary until the vesting date. The Board also has the discretion to stipulate such other conditions in respect of a particular employee which will apply to the vesting of the Shares. An award will lapse where the company or the business division by which the selected employee is employed ceases to be part of the Group or in the event the selected employee does not deliver the notice of exercise within the prescribed time limit to the trustee for the purpose of exercising his rights to receive the vested Shares.

Where Shares which are referable to a selected employee do not vest or are not acquired by selected employees in accordance with the above procedures, the trustee shall hold such Shares or any income deriving therefrom exclusively for the benefit of all selected employees of the Group as the trustee determines in its absolute discretion after having taken into consideration recommendations of the Board.

The Board may by resolution terminate the operation of the Share Subscription Scheme at any time provided that such termination shall not affect any subsisting rights of any employee selected thereunder and provided further that if, at the date of such termination, the trustee holds any Shares which it has not vested, then the trustee shall within 21 business days of receiving notice of such termination sell such Shares and remit the proceeds of sale (after deductions) to the Company.

During the year ended 31 December 2008, the following Shares were awarded to selected employees of the Company and/or its subsidiaries pursuant to the terms of the rules and trust deed of the Share Subscription Scheme:

	Number of awarded shares						
Category of participant	**Outstanding at 01.01.2008**	**Awarded during the year**	**Vested during the year**	**Outstanding at 31.12.2008**	**Share price at date of award**	**Date of award**	**Vesting date**
Employees	–	49,665	–	49,665	HK$2.02	17.12.2008	01.02.2009
Employees	–	49,665	–	49,665	HK$2.02	17.12.2008	01.05.2009
Employees	–	49,665	–	49,665	HK$2.02	17.12.2008	01.08.2009
Employees	–	49,665	–	49,665	HK$2.02	17.12.2008	01.11.2009
Employees	–	49,665	–	49,665	HK$2.02	17.12.2008	01.02.2010
Employees	–	49,675	–	49,675	HK$2.02	17.12.2008	01.05.2010
Total	–	298,000	–	298,000			

The fair value of awarded shares are measured at the market price of the Company's share at date of grant. The Company and the Group recognised the total expenses of approximately HK$7,365,000 (2007: Nil) for the year ended 31 December 2008 in relation to the share award schemes.

51. ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2007, the Company acquired 53% interests in EGT in accordance to the PPA as disclosed in note 12.

The net assets acquired and the goodwill arising are as follows:

	Acquiree's carrying value
	HK$'000
Property, plant and equipment	199,584
Intangible assets	43,787
Trade and other receivables	47,716
Inventories	10,805
Bank balances and cash	8,439
Trade and other payables	(313,173)
	(2,842)
Minority interest	1,028
Interest attributable to warrant holders	(417,331)
Net liabilities attributable to interest acquired	(419,145)
Goodwill	1,464,150
	1,045,005
Represented by:	
Settlement of receivable from providing agency services through issuance of shares by EGT	1,020,630
Available-for-sale investments	24,375
	1,045,005
Cash inflow arising on acquisition	
Bank balances and cash acquired	8,439

Goodwill arising on acquisition of EGT was in relation to the anticipated profit generated from the EGM business referred by the Group as disclosed in note 12.

EGT contributed HK$28 million to the Group's revenue and HK$33 million loss to the Group's profit for the period from date of acquisition to the date of becoming an associate.

If the acquisition had been completed on 1 January 2007, total group revenue for the year would have been HK$1,079 million, and profit for the year would have been HK$2,558 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007, nor is it intended to be a projection of future results.

Note: Subsequently in December 2007, as described in note 12, EGT became an associate of the Group.

52. DEEMED DISPOSAL OF SUBSIDIARIES

As disclosed in notes 12 and 18, EGT and VC were deemed disposed of during the year ended 31 December 2007. The net assets of EGT and VC at the date of disposal were as follows:

	HK$'000
NET ASSETS DISPOSED OF:	
Property, plant and equipment	338,384
Other intangible assets	44,334
Long term deposits	3,057
Trading rights	1,409
Deferred tax assets	1,100
Trade and other receivables	1,922,117
Inventories	13,122
Held-for-trading investments	13,564
Bank balances and cash	273,401
Trade and other payable	(549,804)
Taxation payable	(9,219)
Bank borrowings	(1,131,146)
Amounts due to group companies	(32,435)
Loan from the Company	(241,900)
	645,984
Minority interests	(339,942)
Interest attributable to warrant holders	(258,079)
Net assets attributable to interests disposed of	47,963
Attributable goodwill	1,223,955
	1,271,918
Loss on deemed disposal	(65,288)
Total consideration	1,206,630
Satisfied by:	
Interests in associates	1,103,670
Cash received	102,960
	1,206,630
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(273,401)
Less: Cash received	102,960
	(170,441)

The impact of VC disposed of on the Group's results and cash flows in the current and prior year are disclosed in note 18.

During the year ended 31 December 2007, EGT contributed revenue of approximately HK$28,828,000, loss for the year of approximately HK$32,951,000 and net cash inflow of approximately HK$206,263,000 to the Group.

53. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2008, other than the i) capitalisation of amount due from an associate of approximately HK$291 million (note 27); ii) deemed capital contribution of approximately HK$5,770,000 on non-interest bearing amount due from an associate (note 37 (ii)); and iii) investment in convertible loan note and interest in MelcoLot Limited distributed by Power Way (note 30), the Group transferred gaming machine of approximately HK$9,520,000 from property, plant and equipment to inventories.

During the year ended 31 December 2007, the interest in EGT was acquired through the provision of agency services as disclosed in notes 12 and 51, respectively.

54. OPERATING LEASES

(a) The Group as lessee

Minimum lease payments under operating leases during the year in respect of office premises were approximately HK$23,484,000 (2007: HK$20,709,000).

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Within one year	10,461	21,002
In the second to fifth year inclusive	21,969	18,114
Over five years	–	3,396
	32,430	42,512

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for a term ranging from 2 to 6 years.

(b) The Group as lessor

At 31 December 2008, the Group has entered into lease arrangements with certain tenants for its investment properties. Certain of the properties held have committed tenants for the next one to five years. At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments.

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Within one year	8,334	8,616
In the second to fifth year inclusive	20,192	8,780
Over five years	–	1,751
	28,526	19,147

The Company had no significant operating leases at the balance sheet date.

55. CONTINGENT LIABILITIES

The Group and the Company

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 and the Company 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. Details of the guarantee are disclosed in note 43.

The Company

At 31 December 2007, the Company provides a total guarantee of approximately HK$8,453,000 to an insurance company and a bank in respect of the goods purchased and service provided by its subsidiaries and the amount utilised is Nil. Such guarantee was released during the year ended 31 December 2008.

56. RETIREMENT BENEFIT SCHEMES

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and Mandatory Provident Fund Schemes (the "MPF Schemes") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Schemes are switched to the MPF Schemes and all new eligible employees joining the Group on or after December 2000 are under the MPF Schemes. No more contribution was made to the ORSO Scheme after the switch.

Both the Group and the employees contribute a fixed percentage of the relevant payroll, subject to a maximum contribution of HK$1,000, to the MPF Scheme.

57. RELATED PARTY TRANSACTIONS

(a) The trade receivables include amounts due from related companies in relation to sales of computer hardware and software of approximately HK$27,616,000 (2007: HK$9,782,000).

The trade receivables include amount due from an associate, in relation to the sale of electronic gaming machines of approximately HK$882,000 (2007: HK$224,011,000).

As at 31 December 2007, the prepayments, deposits and other receivables include approximately HK$194,000 due from related companies.

(b) The accruals and other payables include deposits received from related companies and associates in relation to sales of technology solution system of approximately HK$4,611,000 (2007: HK$9,268,000) and HK$49,139,000 (2007: Nil) respectively.

(c) As at 31 December 2008 and 2007, the Group and the Company has a convertible loan note with principal amount of HK$1,175,000,000 issued to a related company.

(d) The Group has entered into the following related parties transactions:

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Catering income earned from directors of the Company and related companies	6,058	4,390
Consultancy fee received from an associate	724	927
Insurance premiums charged by a related company	923	1,010
Interest income received from associates	29,494	27,908
Rental income received from an associate	3,770	3,430
Overseas travels, entertainment and gifts expenses charged by an associate	353	246
Interest expense on shareholder's loan	22,682	1,780
Interest expense on convertible loan notes to related companies	62,462	62,382
Sales of technology solution system to related companies	53,832	59,105
Sales of technology solution system to associates	100,791	79,308
Sales of electronic gaming machines to associates	265,659	–
Purchase of electronic gaming machines from associates	129,992	–
Service income received from associates	19,768	12,581
Souvenirs sold to related companies	593	572

Related companies in notes (a) to (d) are companies in which close family members of a director, Mr. Ho, Lawrence Yau Lung, has direct beneficial interests.

(e) As at 31 December 2008, the Company placed a bank deposit of HK$972,500,000 (equivalent to US$125,000,000) (2007: HK$972,500,000) which has been pledged under an undertaking in connection with the loan facilities obtained by Melco Crown Entertainment (note 55).

(f) As disclosed in note 12, the Group provided certain agency services to EGT during the year ended 31 December 2007. In return, EGT issued 40,000,000 Second Shares and 22,000,000 Second Warrants such that it became a subsidiary of the Company. The fair value of such agency services provided was recognised with reference to the fair value of the 40,000,000 Second Shares and 22,000,000 Second Warrants received by the Group.

(g) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	THE GROUP	
	2008	**2007**
	HK$'000	*HK$'000*
Short-term benefits	23,856	30,425
Post-employment benefits	101	118
Share-based payments	15,558	7,103
	39,515	37,646

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals, the Company's operating results and market standards.

58. 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.

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Proportion ownership interest held by the Company			
				Directly		Indirectly	
				2008	2007	2008	2007
Melco Leisure and Entertainment Group Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%	100%	–	–
Aberdeen Restaurant Enterprises Limited	Hong Kong	Restaurant operations and property investment in Hong Kong	8,060 A shares of HK$1,000 each and 33,930 B shares of HK$500 each	–	–	86.68%	86.68%
Tai Pak Sea-Food Restaurant Limited	Hong Kong	Catering, restaurant vessel holding and letting in Hong Kong	5 founders' shares of HK$100 each and 13,495 ordinary shares of HK$100 each	–	–	84.76%	84.76%
Jumbo Catering Management Limited	Hong Kong	Provision of management services in Hong Kong	220 ordinary shares of HK$5,000	–	–	86.68%	86.68%
Melco Technology Group Limited	Hong Kong	Investment holding in Hong Kong	2 ordinary shares of HK$1 each	100%	100%	–	–
iAsia Online Systems Limited	British Virgin Islands	Provision of online trading software in Hong Kong	1 ordinary share of US$1	–	–	100%	100%
Elixir Group Limited	Hong Kong	Provision of hardware and software in Hong Kong	833,333 ordinary shares of HK$1 each	–	–	100%	100%
Elixir International Limited	Macau	Provision of hardware and software in Macau	2 quota shares of MOP450,000 and MOP50,000 each	–	–	100%	100%
Elixir Group Philippines, Inc.	Philippines	Provision of hardware and software in Philippines	10,000 common shares of 100 pesos each	–	–	100%	100%

Name of subsidiary	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Proportion ownership interest held by the Company			
				Directly		Indirectly	
				2008	2007	2008	2007
Melco Financial Group Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	100%	100%	–	–
Melco Services Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	100%	100%	–	–
Melco Investment Holdings Limited	British Virgin Islands	Investment holding in Macau	1 ordinary share of US$1	100%	100%	–	–
Zonic Technology Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	–	–	100%	100%
Melco LottVentures Holdings Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	–	–	100%	100%

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors, principally affect the results or assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

III. UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Set out below is the full text of the unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2009 extracted from the interim report of the Company for the six months ended 30 June 2009.

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2009

		Six months ended 30 June	
		2009	**2008**
	Notes	*HK$'000*	*HK$'000*
		(unaudited)	(unaudited)
Revenue	3	498,527	325,357
Other income		33,079	28,273
Investment income (loss)		2,643	(103)
Purchase and changes in inventories of finished goods		(406,023)	(210,284)
Employee benefits expense		(68,294)	(89,191)
Depreciation of property, plant and equipment		(8,459)	(10,850)
Loss on disposal of a subsidiary	23	(1,804)	–
(Loss) gain on changes in interests in associates	4	(176,421)	53,856
Fair value changes on derivative financial instruments	5	(30)	(191,420)
Fair value change on investment in convertible loan note	15	77,629	–
Loss on disposal of available-for-sale investment		(1,172)	–
Share of (loss) profit of a jointly controlled entity		(155,351)	39,895
Share of losses of associates	13	(511,713)	(122,395)
Impairment loss recognised in respect of interests in associates	6	–	(313,000)
Other expenses		(38,269)	(70,083)
Finance costs		(55,103)	(53,907)
Loss before tax	7	(810,761)	(613,852)
Income tax expense	8	(602)	(11)
Loss for the period		(811,363)	(613,863)

	Note	Six months ended 30 June 2009 HK$'000 (unaudited)	2008 HK$'000 (unaudited)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		88	72
Share of other comprehensive income of associates		14,941	6,250
Share of other comprehensive income of a jointly controlled entity		43,763	–
Loss on fair value change of available-for-sale investments		–	(68,900)
Total comprehensive income for the period		(752,571)	(676,441)
Loss for the period attributable to:			
Owners of the Company		(811,890)	(614,400)
Minority interests		527	537
		(811,363)	(613,863)
Total comprehensive income for the period attributable to:			
Owners of the Company		(753,098)	(676,978)
Minority interests		527	537
		(752,571)	(676,441)
Loss per share	10		
Basic		(HK66.14 cents)	(HK50.08 cents)
Diluted		(HK66.14 cents)	(HK50.10 cents)

Condensed Consolidated Statement of Financial Position
At 30 June 2009

	Notes	30 June 2009 HK$'000 (unaudited)	31 December 2008 HK$'000
Non-current assets			
Investment properties	11 & 12	166,000	166,000
Property, plant and equipment	11	39,060	42,977
Other intangible assets		2,000	2,000
Interests in jointly controlled entities		78,639	190,227
Interests in associates	13	6,455,648	7,126,710
Amounts due from associates	14	602,938	800,673
Amount due from a jointly controlled entity	17	350,100	–
Available-for-sale investments		11,404	39,093
Investment in convertible loan note	15	246,202	168,573
Goodwill		4,113	8,555
Pledged bank deposits	12	295,640	972,500
Long term receivable	23	4,000	–
Deferred tax assets		–	719
		8,255,744	9,518,027
Current assets			
Inventories		28,235	57,652
Trade receivables	16	109,062	55,690
Prepayments, deposits and other receivables		102,836	232,534
Held-for-trading investments		217	150
Derivative financial instruments		34	64
Amounts due from associates	14	256,092	130,555
Pledged bank deposits	12	13,470	6,738
Bank deposits with original maturity over three months		465,738	164,896
Bank balances and cash		116,775	239,875
		1,092,459	888,154
Current liabilities			
Trade payables	18	92,249	309,664
Other payables		172,755	124,095
Shareholder's loan		250,000	250,000
Dividend payable		133	133
Taxation payables		418	689
Financial guarantee liability		45,217	45,217
Bank borrowings – due within one year	19	166,400	96,400
		727,172	826,198
Net current assets		365,287	61,956
Total assets less current liabilities		8,621,031	9,579,983

	Notes	30 June 2009 HK$'000 (unaudited)	31 December 2008 HK$'000
Non-current liabilities			
Trade payables – due after one year	18	5,435	81,678
Financial guarantee liability		99,200	121,808
Bank borrowings – due after one year	19	58,400	216,600
Long term payable	20	170,537	172,496
Convertible loan notes – due after one year	21	1,095,044	1,061,861
		1,428,616	1,654,443
		7,192,415	7,925,540
Capital and reserves			
Share capital	22	615,052	614,666
Reserves		6,550,801	7,284,839
Equity attributable to owners of the Company		7,165,853	7,899,505
Minority interests		26,562	26,035
		7,192,415	7,925,540

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Special reserve HK$'000	Convertible loan notes equity reserve HK$'000	Property revaluation reserve HK$'000	Other revaluation reserve HK$'000	Other reserve HK$'000	Exchange reserve HK$'000	Legal reserve HK$'000	Share options reserve HK$'000	Shares held under share subscription scheme HK$'000	Shares held under share purchase scheme HK$'000	Share award reserve HK$'000	Accumulated profits HK$'000	Attributable to owners of the Company HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2008 (audited)	614,238	3,125,485	283,734	(69,950)	307,253	5,796	(1,669)	(31,674)	2,599	254	21,958	–	–	–	6,061,089	10,319,113	22,430	10,341,543
(Loss) profit for the period	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(614,400)	(614,400)	537	(613,863)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	72	–	–	–	–	–	–	72	–	72
Share of other comprehensive income of associates	–	–	–	–	–	–	–	1,372	4,878	–	–	–	–	–	–	6,250	–	6,250
Loss on fair value change of available-for-sale investments	–	–	–	–	–	–	(68,900)	–	–	–	–	–	–	–	–	(68,900)	–	(68,900)
Total comprehensive income for the period	–	–	–	–	–	–	(68,900)	1,372	4,950	–	–	–	–	–	(614,400)	(676,978)	537	(676,441)
Exercise of share options	428	4,702	–	–	–	–	–	–	–	–	–	–	–	–	–	5,130	–	5,130
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	–	–	–	5,692	–	–	4,597	–	10,289	–	10,289
Transfer to share premium upon exercise of share option	–	1,227	–	–	–	–	–	–	–	–	(1,227)	–	–	–	–	–	–	–
Transfer of share option reserve upon expiry of share options	–	–	–	–	–	–	–	–	–	–	(158)	–	–	–	158	–	–	–
Shares vested under the share award scheme	–	–	–	–	–	–	–	–	–	–	–	–	2,882	(3,195)	313	–	–	–
Purchase of shares for unvested shares under the share award scheme	–	–	–	–	–	–	–	–	–	–	–	–	(24,000)	–	–	(24,000)	–	(24,000)
Dividend paid (*Note 9*)	–	–	(12,271)	–	–	–	–	–	–	–	–	–	–	–	–	(12,271)	–	(12,271)
At 30 June 2008 (unaudited)	614,666	3,131,414	271,463	(69,950)	307,253	5,796	(70,569)	(30,302)	7,549	254	26,265	–	(21,118)	1,402	5,447,160	9,621,283	22,967	9,644,250

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Special reserve HK$'000	Convertible loan notes equity reserve HK$'000	Property revaluation reserve HK$'000	Other revaluation reserve HK$'000	Other reserve HK$'000	Exchange reserve HK$'000	Legal reserve HK$'000	Share options reserve HK$'000	Shares held under share subscription scheme HK$'000	Shares held under share purchase scheme HK$'000	Share award reserve HK$'000	Accumulated profits HK$'000	Attributable to owners of the Company HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2009 (audited)	614,666	3,131,442	271,463	(69,950)	307,253	5,796	28,948	(103,794)	(8,183)	254	32,638	–	(21,088)	4,138	3,705,922	7,899,505	26,035	7,925,540
(Loss) profit for the period	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(811,890)	(811,890)	527	(811,363)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	88	–	–	–	–	–	–	88	–	88
Share of other comprehensive income of associates	–	–	–	–	–	–	–	7,547	7,394	–	–	–	–	–	–	14,941	–	14,941
Share of other comprehensive income of a jointly controlled entity	–	–	–	–	–	–	43,763	–	–	–	–	–	–	–	–	43,763	–	43,763
Total comprehensive income for the period	–	–	–	–	–	–	43,763	7,547	7,482	–	–	–	–	–	(811,890)	(753,098)	527	(752,571)
Exercise of share options	166	507	–	–	–	–	–	–	–	–	–	–	–	–	–	673	–	673
Realisation of special reserve and other revaluation reserve upon deemed disposal of partial interest in an associate	–	–	–	6,933	–	–	(2,869)	–	–	–	–	–	–	–	2,869	6,933	–	6,933
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	–	–	–	8,614	–	–	3,226	–	11,840	–	11,840
Transfer to share premium upon exercise of share option	–	383	–	–	–	–	–	–	–	–	(383)	–	–	–	–	–	–	–
Transfer of share option reserve upon expiry of share options	–	–	–	–	–	–	–	–	–	–	(56)	–	–	–	56	–	–	–
Issue of shares for unvested shares under the share subscription scheme	220	–	–	–	–	–	–	–	–	–	–	(220)	–	–	–	–	–	–
Shares vested under the share award scheme	–	–	–	–	–	–	–	–	–	–	–	50	5,498	(4,174)	(1,374)	–	–	–
At 30 June 2009 (unaudited)	615,052	3,132,332	271,463	(63,017)	307,253	5,796	69,842	(96,247)	(701)	254	40,813	(170)	(15,590)	3,190	2,895,583	7,165,853	26,562	7,192,415

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2009

		Six months ended 30 June	
		2009	**2008**
	Note	*HK$'000*	*HK$'000*
		(unaudited)	(unaudited)
Net cash (used in) from operating activities		(69,218)	85,690
Net cash from (used in) investing activities:			
Decrease in pledged bank deposits		670,128	–
Proceeds from disposal of available-for-sale investments		26,517	–
Repayment from an associate		23,693	9,030
Advance to a jointly controlled entity		(350,100)	–
Increase in bank deposits with original maturity over three months		(300,842)	–
Net cash outflow from disposal of a subsidiary	23	(12,819)	–
Advance to an associate		–	(116,700)
Investments in associates		–	(42,307)
Other investing cash flows		(3,704)	(6,527)
		52,873	(156,504)
Net cash (used in) from financing activities:			
Advance from a shareholder		300,000	–
Repayment to a shareholder		(300,000)	–
Repayments of bank borrowings		(88,200)	(80,000)
Bank borrowings raised		–	199,800
Other financing cash flows		(18,555)	(47,939)
		(106,755)	71,861
Net (decrease) increase in cash and cash equivalents		(123,100)	1,047
Cash and cash equivalents at the beginning of the period		239,875	308,865
Cash and cash equivalents at the end of the period, represented by bank balances and cash		116,775	309,912

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2009.

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 *Segment Reporting*, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3). The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option available under the previous version of the standard to recognise all borrowing costs as expenses immediately and requires all such borrowing costs to be capitalised as part of the cost of the qualifying asset. The Group has applied the transitional requirements in HKAS 23 (Revised 2007) and applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The revised accounting policy has been applied prospectively since 1 January 2009.

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combination for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In prior years, primary segment information was analysed on the basis of the types of goods and services supplied by the Group's operating divisions. However, information reported to the Chief Executive Officer for the purposes of resource allocation and performance assessment focuses more specifically on the category of customer for the technology business segment, with the result that under HKFRS 8 there are two operating segments included in this business segment. The Group's reportable segments under HKFRS 8 are therefore as follows:

(1) Leisure, Gaming and Entertainment Segment: It mainly comprises provision of catering, entertainment, gaming and related services.

(2) Technology Segment – Elixir: It mainly comprises design, development and supply of gaming technology, including surveillance equipment and other gaming products used in casino.

(3) Technology Segment – iAsia: It mainly comprises development and sale of financial trading and settlement systems in other Asian regions.

(4) Property and Other Investments Segment: It mainly comprises property investments and other investments.

Information regarding the above segments is reported below. Amounts reported for the prior period have been restated to conform to the requirements of HKFRS 8.

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

Six months ended 30 June 2009 (unaudited):

	Leisure, gaming and entertainment	Technology		Property and other investments	Elimination	Consolidated
		Elixir	iAsia			
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
External sales	42,710	409,111	20,244	26,462	–	498,527
Inter-segment sales	402	9	5	2,727	(3,143)	–
Total revenue	43,112	409,120	20,249	29,189	(3,143)	498,527
Segment result	(1,332)	4,616	3,972	27,772	12	35,040
Central administrative costs and other unallocated corporate expenses						(49,095)
Unallocated corporate income						27,259
Finance costs						(55,103)
Loss on changes in interests in associates						(176,421)
Loss on disposal of a subsidiary						(1,804)
Fair value changes on derivative financial instruments						(30)
Fair value change on investment in convertible loan note						77,629
Share of loss of a jointly controlled entity						(155,351)
Share of losses of associates						(511,713)
Loss on disposal of available-for-sale investment						(1,172)
Loss before tax						(810,761)

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

Six months ended 30 June 2008 (unaudited):

	Leisure, gaming and entertainment	Technology Elixir	Technology iAsia	Property and other investments	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
External sales	54,065	209,821	26,647	34,824	–	325,357
Inter-segment sales	523	19	32	919	(1,493)	–
Total revenue	54,588	209,840	26,679	35,743	(1,493)	325,357
Segment result	921	(6,655)	3,387	34,596	(994)	31,255
Central administrative costs and other unallocated corporate expenses						(83,261)
Unallocated corporate income						25,125
Finance costs						(53,907)
Gain on changes in interests in associates						53,856
Fair value changes on derivative financial instruments						(191,420)
Share of profit of a jointly controlled entity						39,895
Share of losses of associates						(122,395)
Impairment loss recognised in respect of interests in associates						(313,000)
Loss before tax						(613,852)

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

Segment result represents the profit earned or loss incurred by each segment without allocation of central administration costs and other unallocated corporate expenses, unallocated corporate income, finance costs, (loss) gain on changes in interests in associates, loss on disposal of a subsidiary, fair value changes on derivative financial instruments, fair value change on investment in convertible loan note, share of (loss) profit of a jointly controlled entity, share of losses of associates, loss on disposal of available-for-sale investment and impairment loss recognised in respect of interests in associates. This is the measure reported to Group's Chief Executive Officer for the purposes of resource allocation and performance assessment.

4. (LOSS) GAIN ON CHANGES IN INTERESTS IN ASSOCIATES

(i) During the period ended 30 June 2009, the Group's ownership interest in its associate, Melco Crown Entertainment Limited ("Melco Crown Entertainment"), decreased from 37.83% to 34.10%, as a result of (i) a follow-on public offering of shares of Melco Crown Entertainment and (ii) the vesting of certain restricted shares issued by Melco Crown Entertainment. The Group therefore recognised a loss of approximately HK$176,421,000 which represents the decrease in net assets attributable to the Group during the period ended 30 June 2009.

(ii) During the period ended 30 June 2008, the Group and its associate, Melco China Resort Investment Limited ("MCR"), entered into a series of transactions for the purpose of the amalgamation of MCR with Virtual China Travel Services, Co., Ltd. ("VCTS"), a company listed on the Toronto Stock Exchange ("TSX") Venture Exchange, including:

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

b) Melco China Resorts (Holding) Limited ("MCR BC") issued shares in May 2008 in exchange for the shares of MCR held by all MCR shareholders, including the Group ("Share Swap"). Under the terms of the Share Swap, MCR BC issued 411,091,347 common shares and 84,375,653 convertible preference shares in exchange for the Group's interest in MCR. MCR became the wholly-owned subsidiary of MCR BC, which then became an associate of the Group. Each of the convertible preference 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;

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

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

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

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

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

5. FAIR VALUE CHANGES ON DERIVATIVE FINANCIAL INSTRUMENTS

During the period ended 30 June 2009, a decrease in fair value regarding the warrants of an associate, Elixir Gaming Technologies, Inc. ("EGT") and MCR BC (see note 4) held by the Group of Nil (six months ended 30 June 2008: HK$189,000,000) and HK$30,000 (six months ended 30 June 2008: HK$2,420,000), respectively, was recognised in the condensed consolidated statement of comprehensive income.

6. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF INTERESTS IN ASSOCIATES

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

7. LOSS BEFORE TAX

	Six months ended 30 June	
	2009	**2008**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss before tax has been arrived at after charging:		
Allowance for inventories	20,423	–
Loss from fair value adjustment of held-for-trading investments	–	140
and after crediting:		
Dividend income from unlisted investments	648	37
Dividend income from listed investments	1,928	–
Gain from fair value change of held-for-trading investments	68	–

8. INCOME TAX EXPENSE

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 16.5% for the six months ended 30 June 2009. Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

No provision for Hong Kong Profits Tax is made during the period ended 30 June 2009 as there was no estimated assessable profit.

	Six months ended 30 June	
	2009	**2008**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
The income tax expense comprises:		
Current tax – other jurisdictions	–	11
Deferred taxation	602	–
Income tax expense	602	11

9. DIVIDEND

During the period ended 30 June 2009, no dividend was paid to shareholders as the final dividend for 2008 (six months ended 30 June 2008: HK$0.01 per share amounting to approximately HK$12,271,000 as the final dividend for 2007).

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2009	**2008**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss		
Loss for the purpose of basic loss per share (loss for the period attributable to owners of the Company)	(811,890)	(614,400)
Effect of dilutive potential ordinary shares:		
Adjustments to the share of results of associates based on potential dilution of their earnings per share	–	(262)
Loss for the purpose of diluted loss per share	(811,890)	(614,662)

	Six months ended 30 June	
	2009	**2008**
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	1,227,556,496	1,226,807,669

Note: The number of shares adopted in the calculation of the basic loss per share has been arrived at after eliminating the shares in the Company held by the Company's share award schemes. During the periods ended 30 June 2009 and 2008, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible loan notes and the effect of share options and unvested awarded shares under the Company's long-term incentive schemes since their exercise would result in a decrease in loss per share.

11. MOVEMENTS IN INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT

During the current period, the Group spent approximately HK$6,322,000 mainly on leasehold improvement, furniture, fixtures and equipment for the Group's office premises.

All of the Group's property interests held under operating leases to earn rentals and/or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. As at 30 June 2009, the carrying amount of such property interests amounted to approximately HK$166,000,000 (31 December 2008: HK$166,000,000).

The fair values of the Group's investment properties as at 30 June 2009 have been determined by the directors of the Company. No valuation has been performed by independent qualified professional valuers. The valuation performed by the directors of the Company was arrived at by reference to recent market prices for similar properties.

12. PLEDGE OF ASSETS

At 30 June 2009, the Group pledged certain of its assets for the following purposes:

(a) The Group's bank deposit and investment properties which amounted to approximately HK$947,000 and HK$166,000,000, respectively, were pledged for obtaining the banking facilities for certain subsidiaries of the Group (31 December 2008: bank deposit of approximately HK$947,000 and investment properties of approximately HK$166,000,000).

(b) The Group's bank deposit of approximately HK$5,791,000 (31 December 2008: HK$5,791,000) were pledged to a bank for the completion of a sale agreement with a customer.

(c) The Group's bank deposit of approximately HK$6,732,000 (31 December 2008: Nil) were pledged to a bank for obtaining the banking facilities for a subsidiary of the Group in respect of goods purchased from a supplier.

(d) The Company placed a bank deposit of HK$295,640,000 (equivalent to US$38,000,000) (31 December 2008: HK$972,500,000 (equivalent to US$125,000,000)) for an undertaking in connection with a long term loan facilities obtained by Melco Crown Entertainment, and was therefore classified as non-current asset.

13. INTERESTS IN ASSOCIATES

As at 30 June 2009, the Group holds approximately 34.1% interests in Melco Crown Entertainment, 43.4% interests in VC, 49.3% interests in MCR BC, 58.7% interests in Power Way Group Limited ("Power Way"), 10.4% interests in MelcoLot Limited, 20.0% interests in iAsia Online Systems Limited and 39.8% interests in EGT. During the period ended 30 June 2009, the Group recognised share of losses of these associates of approximately HK$511,713,000 (six months ended 30 June 2008: HK$122,395,000).

14. AMOUNTS DUE FROM ASSOCIATES

Included in amounts due from associates are:

(i) amount due from an associate of approximately HK$578,578,000 (31 December 2008: HK$578,578,000) which is unsecured, interest bearing at Hong Kong Interbank Offered Rates ("HIBOR") per annum (31 December 2008: HIBOR plus 1.5% per annum) and not repayable within twelve months from the end of the reporting period. 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$200,693,000 (31 December 2008: HK$173,976,000) which is unsecured and approximately HK$12,968,000 is repayable on demand, HK$11,750,000 is repayable on 28 January 2010 and HK$175,975,000 is repayable on 31 March 2010. Approximately HK$105,413,000 out of the HK$200,693,000 (31 December 2008: 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$95,280,000 (31 December 2008: HK$80,203,000) is non-interest bearing such that a deemed capital contribution of approximately HK$5,770,000 has been recognised as at 31 December 2008 using interest rate at LIBOR plus 3% per annum. The Group 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$71,294,000 which is unsecured and interest bearing at 5% per annum. Approximately HK$46,934,000 out of the HK$71,294,000 (31 December 2008: HK$45,779,000 out of the HK$93,898,000) was repayable within twelve months from the end of the reporting period and the remaining HK$24,360,000 (31 December 2008: HK$48,119,000) was repayable after twelve months from the end of the reporting period ended 30 June 2009. 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 due from an associate of approximately HK$41,900,000 which was unsecured, interest bearing at HIBOR plus 1.25% to 2% per annum and repayable upon written notice given from the Company at 31 December 2008. Full settlement has been received from this associate during the period ended 30 June 2009.

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

15. INVESTMENT IN CONVERTIBLE LOAN NOTE

During the period ended 30 June 2009, an increase in fair value of approximately HK$77,629,000 (six months ended 30 June 2008: Nil) regarding the MelcoLot Limited's convertible loan note was recognised in the condensed consolidated statement of comprehensive income. The significant increase in fair value of the MelcoLot Limited's convertible loan note is as a result of the increase in share price of MelcoLot Limited. As at 30 June 2009, the fair value of the investment in MelcoLot Limited's convertible loan note of approximately HK$246,202,000 (31 December 2008: HK$168,573,000) is determined using binomial model and discounted cash flow approach for different components.

16. TRADE RECEIVABLES

	As at 30 June 2009 *HK$'000* (unaudited)	**As at 31 December 2008** *HK$'000*
Trade receivables *(Notes a & b)*	115,635	63,192
Less: allowance for doubtful debts	(6,573)	(7,502)
	109,062	55,690

The aged analysis of trade receivables at the end of the reporting period is as follows:

	As at 30 June 2009 *HK$'000* (unaudited)	**As at 31 December 2008** *HK$'000*
Within 30 days	74,073	15,901
31 – 90 days	9,559	12,299
Over 90 days	25,430	27,490
	109,062	55,690

Notes:

(a) The Group's Leisure, Gaming and Entertainment and Property and Other Investments Segments 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.

17. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

Amount due from a jointly controlled entity is unsecured, non-interest bearing and not repayable within twelve months from the end of the reporting period.

18. TRADE PAYABLES

An aged analysis of the trade payables at the end of the reporting period is as follows:

	As at 30 June 2009 *HK$'000* (unaudited)	**As at 31 December 2008** *HK$'000*
Within 30 days	34,909	132,973
31 – 90 days	3,095	19,857
Over 90 days	11,329	40,356
	49,333	193,186
Trade payable by instalment *(note)*	48,351	198,156
	97,684	391,342
Analysed as:		
Current liabilities	92,249	309,664
Non-current liabilities *(note)*	5,435	81,678
	97,684	391,342

Note: The amount represents trade payable to vendors by instalment for one to two years, which bear interest at 5% per annum (31 December 2008: 2.5% to 12% per annum). Appromixately HK$5,435,000 out of the HK$48,351,000 (31 December 2008: HK$81,678,000 out of the HK$198,156,000) is not repayable within twelve months from the end of the reporting period.

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

	As at 30 June 2009 *HK$'000* (unaudited)	**As at 31 December 2008** *HK$'000*
Secured	74,800	83,000
Unsecured	150,000	230,000
	224,800	313,000
Carrying amount repayable:		
Within one year	166,400	96,400
More than one year, but not exceeding two years	16,400	166,400
More than two years, but not exceeding five years	42,000	50,200
	224,800	313,000
Less: Amounts due within one year shown under current liabilities	(166,400)	(96,400)
	58,400	216,600

All the bank borrowings are denominated in HK$, the functional currency of relevant group entities, with interest rates of HIBOR plus 1.2% to 1.5% (31 December 2008: HIBOR plus 1.2% to 3.0%) per annum.

20. LONG TERM PAYABLE

The amount represents payable to Crown Limited, a major shareholder of Melco Crown Entertainment, arising from an arrangement to dispose of certain subsidiaries of the Company to Melco Crown Entertainment during the year ended 31 December 2006. The principal amount of HK$180,000,000 is stated at amortised cost and is unsecured, non-interest bearing and not repayable within twelve months from the end of the reporting period.

During the period ended 30 June 2009, the repayment date of the long term payable of HK$180,000,000 has been extended from May 2010 to November 2010 (31 December 2008: from May 2009 to May 2010) such that a gain of approximately HK$4,650,000 (six months ended 30 June 2008: a gain of HK$2,517,000) was recognised. As at 30 June 2009, the effective interest rate of the long term payable is 3.9%.

21. CONVERTIBLE LOAN NOTES

On 5 September 2005, the Company issued a convertible loan note due on 4 September 2010 with principal amount of HK$1,175,000,000, which is non-interest bearing. This convertible loan note was issued for the acquisition of additional interest of a piece of land at Cotai, Macau. This convertible loan note is convertible into fully paid ordinary shares of HK$0.5 each of the Company at a conversion price of HK$9.965 per share (subject to anti-dilutive adjustment) and is convertible any time for a period of 5 years from the date of issuance until, and including, the maturity date which is 4 September 2010.

22. SHARE CAPITAL

	Number of ordinary shares		Amount	
	30 June 2009 (unaudited)	**31 December 2008**	**30 June 2009** *HK$'000* (unaudited)	**31 December 2008** *HK$'000*
Authorised:				
At the beginning and end of the period/year of HK$0.5 each	2,000,000,000	2,000,000,000	1,000,000	1,000,000
Issued and fully paid:				
At the beginning of the period/year of HK$0.5 each	1,229,331,116	1,228,475,716	614,666	614,238
Exercise of share options	333,660	855,400	166	428
Issue of new shares for vested shares under the share subscription scheme	440,000	–	220	–
At the end of the period/year of HK$0.5 each	1,230,104,776	1,229,331,116	615,052	614,666

The shares issued during the period/year rank pari passu in all respects with the then existing shares. As at 30 June 2009, the Company's 1,590,809 (31 December 2008: 2,151,890) issued shares with aggregate nominal value of approximately HK$795,000 (31 December 2008: HK$1,076,000) were held by the Company's share purchase scheme.

23. DISPOSAL OF A SUBSIDIARY

In June 2009, the Group disposed of 80% of the issued share capital of a wholly-owned subsidiary, iAsia Online Systems Limited and its subsidiary ("iAsia"), at a consideration of HK$12,000,000. The net assets of iAsia at the date of disposal were as follows:

	HK$'000
NET ASSETS DISPOSED OF:	
Property, plant and equipment	1,312
Deferred tax assets	117
Trade and other receivables	6,833
Amounts due from group companies	100
Amounts due from associates	3,822
Bank balances and cash	12,819
Trade and other payables	(12,903)
Amounts due to group companies	(116)
Net assets attributable to interests disposed of	11,984
Attributable goodwill	4,442
	16,426
Loss on disposal	(1,804)
Total consideration	14,622
Satisfied by:	
Interests in associates	2,622
Consideration receivables	12,000
	14,622
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(12,819)

The consideration receivable of HK$8,000,000 will be settled within twelve months from the date of disposal and is included in prepayments, deposits and other receivables of the Group as at 30 June 2009. The remaining consideration receivable of HK$4,000,000 will be settled after twelve months from the date of disposal and is included in long term receivables of the Group as at 30 June 2009.

During the period ended 30 June 2009, iAsia contributed revenue of approximately HK$20,244,000, profit for the period of approximately HK$3,365,000 and net cash outflow of approximately HK$7,417,000 to the Group.

24. RELATED PARTY TRANSACTIONS

(a) The trade receivables include amounts due from related companies in relation to sales of technology solution system of approximately HK$18,935,000 (31 December 2008: HK$27,616,000).

The trade receivables include amounts due from associates in relation to the sales of technology solution system of approximately HK$68,195,000 (31 December 2008: HK$882,000).

The prepayments, deposits and other receivables include retention receivables from associates in relation to sales of technology solution system of approximately HK$22,136,000 (31 December 2008: Nil).

(b) The other payables include deposits received from related companies and associates in relation to sales of technology solution system of approximately HK$3,118,000 and HK$28,699,000, respectively (31 December 2008: HK$4,611,000 and HK$49,139,000, respectively).

(c) Significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

	Six months ended 30 June 2009	2008
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Catering income earned from directors and related companies	3,765	3,931
Sales of technology solution system to related companies	10,226	26,054
Sales of technology solution system to associates	340,014	155,195
Interest expense on shareholder's loan	12,077	11,865
Effective interest expense on convertible loan notes issued to a related company	33,183	31,231
Service income from related companies	4,599	4,324
Service income from associates	7,659	3,442
Loan interest income received from associates	12,940	11,295
Rental income received from an associate	1,885	1,973

The above transactions/balances are made with related companies in which a close family member of a substantial shareholder of the Company has beneficial interests.

25. CONTINGENT LIABILITIES

(i) 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$125,000,00) 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's obligation to provide contingent contribution has, with effect from 4 May 2009, been reduced from HK$972,500,000 (US$125,000,000) to HK$295,640,000 (US$38,000,000). The Company maintain a standby letter of credit for the said reduced amount to support its contingent obligation. Crown Limited, a major shareholder of Melco Crown Entertainment, has given a similar undertaking and entered into a similar arrangement in connection with the said loan facilities.

(ii) The Group recognised financial guarantee liabilities of HK$144,417,000 in respect of the Exchangeable Bonds issued by Melco Crown SPV Limited, the jointly controlled entity of the Group, which are jointly and severally guaranteed by the Company and Crown Limited.

26. EVENTS AFTER THE END OF THE INTERIM PERIOD

On 18 August 2009, Melco Crown Entertainment completed a follow-on public offering of shares of Melco Crown Entertainment. On the completion of the follow-on public offering, the Group's ownership interest in Melco Crown Entertainment was decreased from 34.10% to 31.36%.

On 20 August, 2009, MCR BC entered into a definitive agreement with an independent third party, China Entertainment Globe Ltd. ("CEG"), in which CEG will subscribe for 95,000,000 common shares in MCR BC at a subscription price of approximately HK$1 (equivalent to CAD0.15) for a total subscription price of approximately HK$96,178,000 (equivalent to CAD14,250,000) (the "Private Placement"). On completion of the Private Placement which is expected to occur by the end of September 2009, upon satisfaction of all closing conditions, CEG will be holding approximately 49.8% of the equity interest of MCR BC and the Group's shareholding in MCR BC will be decreased to 27.0%. The financial impact of this event is not known until the completion of definitive agreement.

On 8 September 2009, VC entered into a placing agreement ("Placing Agreement") with China Everbright Securities (HK) Limited (the "Placing Agent"), pursuant to which VC has appointed the Placing Agent to procure independent subscribers for convertible bonds with a principal amount of HK$300 million ("First Convertible Bonds") at the conversion price of HK$1 per share. Under the terms of the First Convertible Bonds, the bondholders who convert the First Convertible Bonds within one year from the date of issue of the First Convertible Bonds will be granted options which will entitle them to subscribe for further convertible bonds equal to the principal amount of the First Convertible Bonds. Accordingly, further convertible bonds with a principal amount of HK$300 million may be issued.

IV. STATEMENT OF INDEBTEDNESS

(a) Borrowings

As at the close of business on 30 November 2009, being the latest practicable date for the purpose of ascertaining certain information relating to this indebtedness statement, the Group had total outstanding borrowings of approximately HK$1,634.9 million, comprising secured bank borrowings of approximately HK$66.6 million, unsecured bank borrowings of approximately HK$150.0 million, convertible loan note of approximately HK$1,122.7 million, long term payable of approximately HK$170.0 million and financial guarantee liability of approximately HK$125.6 million. Among the secured and unsecured bank borrowings, amounts of approximately HK$166.4 million and HK$50.2 million were due within one year and due after one year, respectively. The convertible loan note with a principal amount of HK$1,175 million was due within one year. Long term payable with a principal amount of HK$180 million was stated at amortised cost and represented payable to Crown Limited arising from an arrangement to dispose of certain subsidiaries of the Company to Melco Crown Entertainment Limited ("Melco Crown Entertainment") during the year ended 31 December 2006. The repayment date of the long term payable of HK$180 million has been extended from November 2010 to May 2011 with effect from 13 November 2009 such that it would be due after one year. The financial guarantee liability was related to the Exchangeable Bonds issued by Melco Crown SPV Limited ("Melco Crown SPV"), a jointly controlled entity of the Group and Crown Limited. The carrying amount of the financial guarantee liability was approximately HK$125.6 million, of which approximately HK$45.2 million was shown as current liability and the remaining amount of approximately HK$80.4 million was shown as non-current liability.

As at 30 November 2009, the Group's bank deposit and investment properties amounting to approximately HK$0.9 million and HK$166 million, respectively, were pledged for obtaining the banking facilities for certain subsidiaries of the Group. The Group's bank deposits of approximately HK$5.8 million and approximately HK$4.1 million were pledged to a bank for the completion of a sale agreement with a customer and pledged to a bank for obtaining the banking facilities for a subsidiary of the Group in respect of goods purchased from a supplier, respectively.

(b) Contingent liabilities

The Group recognized financial guarantee liabilities of approximately HK$125.6 million as at 30 November 2009 in respect of the Exchangeable Bonds issued by Melco Crown SPV, the jointly controlled entity of the Group, which are jointly and severally guaranteed by the Company and Crown Limited.

Saved as disclosed in the above paragraphs, and apart from intra-group liabilities and normal trade payables, the Group did not have any mortgages, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance lease or hire purchase commitment, liabilities under acceptances or acceptance credit, or any guarantee or other contingent liabilities outstanding at the close of business on 30 November 2009.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Group. The information contained herein relating to the Group has been supplied by the Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to Great Respect) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement contained herein misleading.

The sole director of Great Respect accepts full responsibility for the accuracy of the information contained in this circular relating to Great Respect and confirms, having made all reasonable enquiries, that to the best of its knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

	HK$
Authorised capital:	
2,000,000,000 ordinary Shares of HK$0.5 each	1,000,000,000.00
Issued capital:	
1,230,258,939 ordinary Shares of HK$0.5 each	615,129,469.50

All issued Shares rank pari passu with each other in terms of capital, dividend and voting. Since 31 December 2008 (being the date to which the latest published audited financial statements of the Company were made up), the Company has issued a total of 927,823 Shares.

As at the Latest Practicable Date, other than the Convertible Loan Notes, the options granted under the share option scheme of the Company adopted on 8 March 2002 and Shares awarded under The Melco Share Purchase Scheme Trust and The Melco Share Award Scheme Trust (both are share award plans of the Company adopted on 18 October 2007), the Company had no convertible securities, options, derivatives or warrants outstanding and had not entered into any agreement for the issue of any convertible securities, options, warrants or derivatives of the Company.

3. MARKET PRICES

(a) The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK$5.92 per Share on 14 September 2009 and HK$3.30 per Share on the Latest Practicable Date, respectively.

(b) The table below sets out the closing prices of the Shares on the Stock Exchange on the last Business Day on which trading of the Shares took place in each of the calendar months during the Relevant Period:

Date	**Closing price** *(HK$)*
30 June 2009	4.26
31 July 2009	5.03
31 August 2009	4.63
30 September 2009	4.96
30 October 2009	4.31
30 November 2009	3.81
31 December 2009	3.58

(c) The closing price of the Shares on the Stock Exchange on the Last Trading Date was HK$3.86.

(d) The closing price of the Shares on the Stock Exchange on the Latest Practicable Date was HK$3.30.

4. DISCLOSURE OF INTERESTS UNDER THE SFO

(a) Directors' interests and short positions in the Shares and the shares of the Company's associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which: (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(I) Long positions in Shares and underlying Shares

(i) Ordinary Shares of HK$0.50 each of the Company

Name	Capacity	Number of ordinary Shares held	Approximate % of the total issued share capital of the Company
Mr. Lawrence Ho	Held by controlled corporations	411,335,630 *(Note 2)*	33.43%
	Beneficial owner	7,793,951	0.63%
Mr. Tsui Che Yin, Frank	Beneficial owner	103,104	0.01%
Mr. Chung Yuk Man, Clarence	Beneficial owner	80,884	0.01%
Dr. Lo Ka Shui	Beneficial owner	2,034,000	0.17%
Sir Roger Lobo	Beneficial owner	34,000	0.00%
Mr. Sham Sui Leung, Daniel	Beneficial owner	34,000	0.00%
Mr. Ng Ching Wo	Beneficial owner	34,000	0.00%

(ii) *Share options granted to the Directors pursuant to the share option scheme adopted by the Company on 8 March 2002*

Name of Director	Number of share options outstanding as at the Latest Practicable Date	Approximate % of issued share capital of the Company	Date of grant	Exercisable period	Exercise price *(HK$)*
Mr. Lawrence Ho	230,840	0.02%	01.04.2008	01.04.2009 – 31.03.2018	10.804
	230,840	0.02%	01.04.2008	01.04.2010 – 31.03.2018	10.804
	230,840	0.02%	01.04.2008	01.04.2011 – 31.03.2018	10.804
	89,333	0.01%	17.12.2008	01.02.2009 – 16.12.2018	2.02
	89,333	0.01%	17.12.2008	01.05.2009 – 16.12.2018	2.02
	89,333	0.01%	17.12.2008	01.08.2009 – 16.12.2018	2.02
	89,333	0.01%	17.12.2008	01.11.2009 – 16.12.2018	2.02
	89,333	0.01%	17.12.2008	01.02.2010 – 16.12.2018	2.02
	89,335	0.01%	17.12.2008	01.05.2010 – 16.12.2018	2.02
	76,500	0.01%	03.04.2009	03.04.2010 – 02.04.2019	2.99
	76,500	0.01%	03.04.2009	03.04.2011 – 02.04.2019	2.99
	77,000	0.01%	03.04.2009	03.04.2012 – 02.04.2019	2.99
	1,458,520	0.15%			

Name of Director	Number of share options outstanding as at the Latest Practicable Date	Approximate % of issued share capital of the Company	Date of grant	Exercisable period	Exercise price *(HK$)*
Mr. Tsui Che Yin, Frank	104,000	0.01%	01.04.2008	01.04.2009 – 31.03.2018	10.804
	104,000	0.01%	01.04.2008	01.04.2010 – 31.03.2018	10.804
	104,000	0.01%	01.04.2008	01.04.2011 – 31.03.2018	10.804
	91,000	0.01%	17.12.2008	01.02.2009 – 16.12.2018	2.02
	91,000	0.01%	17.12.2008	01.05.2009 – 16.12.2018	2.02
	91,000	0.01%	17.12.2008	01.08.2009 – 16.12.2018	2.02
	91,000	0.01%	17.12.2008	01.11.2009 – 16.12.2018	2.02
	91,000	0.01%	17.12.2008	01.02.2010 – 16.12.2018	2.02
	91,000	0.01%	17.12.2008	01.05.2010 – 16.12.2018	2.02
	50,000	0.00%	03.04.2009	03.04.2010 – 02.04.2019	2.99
	50,000	0.00%	03.04.2009	03.04.2011 – 02.04.2019	2.99
	60,000	0.00%	03.04.2009	03.04.2012 – 02.04.2019	2.99
	1,018,000	0.09%			

Name of Director	Number of share options outstanding as at the Latest Practicable Date	Approximate % of issued share capital of the Company	Date of grant	Exercisable period	Exercise price *(HK$)*
Mr. Chung Yuk Man, Clarence	200,000	0.02%	01.02.2005	17.09.2009 – 07.03.2012	7.4
	130,000	0.01%	13.02.2006	01.04.2008 – 31.01.2016	11.8
	130,000	0.01%	13.02.2006	01.04.2010 – 31.01.2016	11.8
	140,000	0.01%	13.02.2006	01.04.2012 – 31.01.2016	11.8
	104,000	0.01%	01.04.2008	01.04.2009 – 31.03.2018	10.804
	104,000	0.01%	01.04.2008	01.04.2010 – 31.03.2018	10.804
	104,000	0.01%	01.04.2008	01.04.2011 – 31.03.2018	10.804
	91,000	0.01%	17.12.2008	01.02.2009 – 16.12.2018	2.02
	91,000	0.01%	17.12.2008	01.05.2009 – 16.12.2018	2.02
	91,000	0.01%	17.12.2008	01.08.2009 – 16.12.2018	2.02
	91,000	0.01%	17.12.2008	01.11.2009 – 16.12.2018	2.02
	91,000	0.01%	17.12.2008	01.02.2010 – 16.12.2018	2.02
	91,000	0.01%	17.12.2008	01.05.2010 – 16.12.2018	2.02
	50,000	0.00%	03.04.2009	03.04.2010 – 02.04.2019	2.99
	50,000	0.00%	03.04.2009	03.04.2011 – 02.04.2019	2.99
	60,000	0.00%	03.04.2009	03.04.2012 – 02.04.2019	2.99
	1,618,000	0.14%			

Name of Director	Number of share options outstanding as at the Latest Practicable Date	Approximate % of issued share capital of the Company	Date of grant	Exercisable period	Exercise price *(HK$)*
Dr. Lo Ka Shui	100,000	0.01%	03.04.2006	03.04.2008 – 02.04.2016	15.87
	100,000	0.01%	03.04.2006	03.04.2010 – 02.04.2016	15.87
	100,000	0.01%	03.04.2006	03.04.2012 – 02.04.2016	15.87
	17,000	0.00%	28.02.2008	01.04.2009 – 27.02.2018	11.5
	17,000	0.00%	28.02.2008	01.04.2010 – 27.02.2018	11.5
	17,000	0.00%	28.02.2008	01.04.2011 – 27.02.2018	11.5
	30,000	0.00%	03.04.2009	03.04.2010 – 02.04.2019	2.99
	30,000	0.00%	03.04.2009	03.04.2011 – 02.04.2019	2.99
	31,000	0.00%	03.04.2009	03.04.2012 – 02.04.2019	2.99
	442,000	0.03%			
Sir Roger Lobo	100,000	0.01%	03.04.2006	03.04.2008 – 02.04.2016	15.87
	100,000	0.01%	03.04.2006	03.04.2010 – 02.04.2016	15.87
	100,000	0.01%	03.04.2006	03.04.2012 – 02.04.2016	15.87
	17,000	0.00%	28.02.2008	01.04.2009 – 27.02.2018	11.5
	17,000	0.00%	28.02.2008	01.04.2010 – 27.02.2018	11.5
	17,000	0.00%	28.02.2008	01.04.2011 – 27.02.2018	11.5
	30,000	0.00%	03.04.2009	03.04.2010 – 02.04.2019	2.99
	30,000	0.00%	03.04.2009	03.04.2011 – 02.04.2019	2.99
	31,000	0.00%	03.04.2009	03.04.2012 – 02.04.2019	2.99
	442,000	0.03%			

Name of Director	Number of share options outstanding as at the Latest Practicable Date	Approximate % of issued share capital of the Company	Date of grant	Exercisable period	Exercise price *(HK$)*
Mr. Sham Sui Leung, Daniel	17,000	0.00%	28.02.2008	01.04.2009 – 27.02.2018	11.5
	17,000	0.00%	28.02.2008	01.04.2010 – 27.02.2018	11.5
	17,000	0.00%	28.02.2008	01.04.2011 – 27.02.2018	11.5
	30,000	0.00%	03.04.2009	03.04.2010 – 02.04.2019	2.99
	30,000	0.00%	03.04.2009	03.04.2011 – 02.04.2019	2.99
	31,000	0.00%	03.04.2009	03.04.2012 – 02.04.2019	2.99
	142,000	0.00%			
Mr. Ng Ching Wo	100,000	0.01%	03.04.2006	03.04.2008 – 02.04.2016	15.87
	100,000	0.01%	03.04.2006	03.04.2010 – 02.04.2016	15.87
	100,000	0.01%	03.04.2006	03.04.2012 – 02.04.2016	15.87
	17,000	0.00%	28.02.2008	01.04.2009 – 27.02.2018	11.5
	17,000	0.00%	28.02.2008	01.04.2010 – 27.02.2018	11.5
	17,000	0.00%	28.02.2008	01.04.2011 – 27.02.2018	11.5
	30,000	0.00%	03.04.2009	03.04.2010 – 02.04.2019	2.99
	30,000	0.00%	03.04.2009	03.04.2011 – 02.04.2019	2.99
	31,000	0.00%	03.04.2009	03.04.2012 – 02.04.2019	2.99
	442,000	0.03%			
	5,562,520	**0.47%**			

(iii) Shares awarded to the Directors pursuant to The Melco Share Purchase Scheme Trust (share incentive award scheme) adopted by the Company on 18 October 2007

Name of Director	Number of unvested awarded Shares as at the Latest Practicable Date	Approximate % of issued share capital of the Company	Date of award	Vesting date
Mr. Lawrence Ho	87,325	0.01%	01.04.2008	01.04.2010
	96,666	0.01%	17.12.2008	01.02.2010
	96,670	0.01%	17.12.2008	01.05.2010
	12,500	0.00%	03.04.2009	03.04.2010
	12,500	0.00%	03.04.2009	03.04.2011
	13,000	0.00%	03.04.2009	03.04.2012
	318,661	0.03%		
Mr. Tsui Che Yin, Frank	22,220	0.00%	01.04.2008	01.04.2010
	14,666	0.00%	17.12.2008	01.02.2010
	14,670	0.00%	17.12.2008	01.05.2010
	9,000	0.00%	03.04.2009	03.04.2010
	9,000	0.00%	03.04.2009	03.04.2011
	9,000	0.00%	03.04.2009	03.04.2012
	78,556	0.00%		
Mr. Chung Yuk Man, Clarence	22,220	0.00%	01.04.2008	01.04.2010
	14,666	0.00%	17.12.2008	01.02.2010
	14,670	0.00%	17.12.2008	01.05.2010
	9,000	0.00%	03.04.2009	03.04.2010
	9,000	0.00%	03.04.2009	03.04.2011
	9,000	0.00%	03.04.2009	03.04.2012
	78,556	0.00%		
Dr. Lo Ka Shui	15,000	0.00%	28.02.2008	31.03.2010
	4,000	0.00%	28.02.2008	01.04.2010
	4,000	0.00%	28.02.2008	01.04.2011
	5,000	0.00%	03.04.2009	03.04.2010
	5,000	0.00%	03.04.2009	03.04.2011
	5,000	0.00%	03.04.2009	03.04.2012
	38,000	0.00%		

Name of Director	Number of unvested awarded Shares as at the Latest Practicable Date	Approximate % of issued share capital of the Company	Date of award	Vesting date
Sir Roger Lobo	15,000	0.00%	28.02.2008	31.03.2010
	4,000	0.00%	28.02.2008	01.04.2010
	4,000	0.00%	28.02.2008	01.04.2011
	5,000	0.00%	03.04.2009	03.04.2010
	5,000	0.00%	03.04.2009	03.04.2011
	5,000	0.00%	03.04.2009	03.04.2012
	38,000	0.00%		
Mr. Sham Sui Leung, Daniel	15,000	0.00%	28.02.2008	31.03.2010
	4,000	0.00%	28.02.2008	01.04.2010
	4,000	0.00%	28.02.2008	01.04.2011
	5,000	0.00%	03.04.2009	03.04.2010
	5,000	0.00%	03.04.2009	03.04.2011
	5,000	0.00%	03.04.2009	03.04.2012
	38,000	0.00%		
Mr. Ng Ching Wo	15,000	0.00%	28.02.2008	31.03.2010
	4,000	0.00%	28.02.2008	01.04.2010
	4,000	0.00%	28.02.2008	01.04.2011
	5,000	0.00%	03.04.2009	03.04.2010
	5,000	0.00%	03.04.2009	03.04.2011
	5,000	0.00%	03.04.2009	03.04.2012
	38,000	0.00%		
	627,773	**0.03%**		

(iv) Convertible Loan Notes issued by the Company

Name of Director	Capacity	Number of ordinary Shares held	Approximate % of the issued share capital of the Company
Mr. Lawrence Ho	Held by trust	117,912,694 *(Note 3)*	9.58%

Notes:

1. As at the Latest Practicable Date, the total number of issued Shares was 1,230,258,939.

2. The 115,509,024 Shares are held by Lasting Legend, representing approximately 9.39% of the issued share capital of the Company, 288,532,606 Shares are held by Better Joy, representing approximately 23.45% of the issued share capital of the Company and 7,294,000 Shares are held by The L3G Capital Trust, representing approximately 0.59% of the issued share capital of the Company. Lasting Legend, Better Joy and The L3G Capital Trust are owned by companies, persons and/or trusts associated with Mr. Lawrence Ho.

3. Pursuant to an agreement dated 11 May 2005 entered into between Great Respect, Melco PBL Entertainment (Greater China) Limited (now known as MPEL (Greater China) Limited) and the Company, the Convertible Loan Notes of the Company in the total principal amount of HK$1,175,000,000 were issued to Great Respect on 5 September 2005 on the terms set out in the agreement. Upon exercise in full of such Convertible Loan Notes, a total of 117,912,694 Shares, representing 8.75% of the enlarged issued share capital of the Company, would be issued by the Company. Great Respect is a company controlled by a discretionary family trust, the beneficiaries of which include Mr. Lawrence Ho and his family members. SG Trust (Asia) Ltd. is the trustee of the aforesaid discretionary family trust. The Shareholders approved the issue of the Convertible Loan Notes without the necessity to make an offer under Rule 26 of the Takeovers Code on conversion of the Convertible Loan Notes. Hence, no offer under Rule 26 of the Takeovers Code would be made on full conversion. The Convertible Loan Notes are now proposed to be amended pursuant to the Deed of Amendment and a new Whitewash Waiver in respect of the Shares to be issued on conversion of the amended Convertible Loan Notes has been applied for, in each case as described in this circular.

(II) Long positions in the shares and underlying shares of associated corporations of the Company

(A) Melco Crown Entertainment Limited ("Melco Crown Entertainment")

(i) Ordinary shares of US$0.01 each of Melco Crown Entertainment

Name of Director	Capacity	Number of ordinary shares of Melco Crown Entertainment held	Approximate % of issued share capital of Melco Crown Entertainment
Mr. Lawrence Ho	Held by controlled corporations	544,496,156 *(Note 2)*	34.12%
	Beneficial owner	2,373,480	0.15%
Mr. Tsui Che Yin, Frank	Beneficial owner	11,850	0.00%
Mr. Chung Yuk Man, Clarence	Beneficial owner	31,600	0.00%

(ii) Restricted shares awarded by Melco Crown Entertainment

Name of Director	Capacity	Number of restricted shares of Melco Crown Entertainment held	Approximate % of issued share capital of Melco Crown Entertainment
Mr. Lawrence Ho	Beneficial owner	124,584 *(Note 3)*	0.01%
	Beneficial owner	483,129 *(Note 4)*	0.03%
Mr. Chung Yuk Man, Clarence	Beneficial owner	6,228 *(Note 3)*	0.00%
	Beneficial owner	23,007 *(Note 4)*	0.00%

(iii) Stock options granted by Melco Crown Entertainment

Name of Director	Capacity	Number of stock options of Melco Crown Entertainment held	Approximate % of issued share capital of Melco Crown Entertainment
Mr. Lawrence Ho	Beneficial owner	1,132,587 *(Note 5)*	0.08%
	Beneficial owner	2,898,774 *(Note 6)*	0.20%
Mr. Chung Yuk Man, Clarence	Beneficial owner	56,628 *(Note 5)*	0.00%
	Beneficial owner	138,036 *(Note 6)*	0.01%

Notes:

1. As at the Latest Practicable Date, the total number of issued shares of Melco Crown Entertainment was 1,595,617,550.

2. Mr. Lawrence Ho is deemed to be interested in (i) 533,750,000 shares of Melco Crown Entertainment which are being held by Melco Leisure and Entertainment Group Limited ("Melco Leisure"), a wholly owned subsidiary of the Company; and (ii) 10,746,156 shares of Melco Crown Entertainment which are being held by Melco Crown SPV Limited, a company which is owned by Melco Leisure as to 50%; as a result of him being beneficially interested in approximately 34.07% of the issued share capital of the Company which in turn holds approximately 34.12% of the issued share capital of Melco Crown Entertainment.

3. The personal interests of these directors represent their interests in Melco Crown Entertainment comprising the restricted shares which were granted to them by Melco Crown Entertainment on 18 March 2008.

   Among the 124,584 restricted shares held by Mr. Lawrence Ho, 62,292 shares shall vest on 18 March 2010 and 62,292 shares shall vest on 18 March 2012. Among the 6,228 restricted shares held by Mr. Chung Yuk Man, Clarence, 3,114 shares shall vest on 18 March 2010 and 3,114 shares shall vest on 18 March 2012.

4. The personal interests of these directors represent their interests in Melco Crown Entertainment comprising the restricted shares which were granted to them by Melco Crown Entertainment on 17 March 2009.

   Among the 483,129 restricted shares held by Mr. Lawrence Ho, 241,563 shares shall vest on 17 March 2011 and 241,566 shares shall vest on 17 March 2013. Among the 23,007 restricted shares held by Mr. Chung Yuk Man, Clarence, 11,502 shares shall vest on 17 March 2011 and 11,505 shares shall vest on 17 March 2013.

5. The personal interests of these directors represent their derivative interests in Melco Crown Entertainment comprising the stock options granted to them by Melco Crown Entertainment on 18 March 2008 at an exercise price of US$4.01333 per share (US$12.04 per American Depositary Share ("ADS")) of Melco Crown Entertainment (Note: each ADS represents 3 shares of Melco Crown Entertainment).

   Among the 1,132,587 stock options held by Mr. Lawrence Ho, 283,146.75 options may be exercised during the period from 18 March 2009 to 17 March 2018, 283,146.75 options may be exercised during the period from 18 March 2010 to 17 March 2018, 283,146.75 options may be exercised during the period from 18 March 2011 to 17 March 2018 and 283,146.75 options may be exercised during the period from 18 March 2012 to 17 March 2018.

   Among the 56,628 stock options held by Mr. Chung Yuk Man, Clarence, 14,157 options may be exercised during the period from 18 March 2009 to 17 March 2018, 14,157 options may be exercised during the period from 18 March 2010 to 17 March 2018, 14,157 options may be exercised during the period from 18 March 2011 to 17 March 2018 and 14,157 options may be exercised during the period from 18 March 2012 to 17 March 2018.

6. The personal interests of these directors represent their derivative interests in Melco Crown Entertainment comprising the stock options granted to them by Melco Crown Entertainment on 17 March 2009 at an exercise price of US$1.0867 per share (US$3.26 per ADS) of Melco Crown Entertainment.

   Among the 2,898,774 stock options held by Mr. Lawrence Ho, 724,692 options may be exercised during the period from 17 March 2010 to 16 March 2019, 724,692 options may be exercised during the period from 17 March 2011 to 16 March 2019, 724,692 options may be exercised during the period from 17 March 2012 to 16 March 2019, 724,698 options may be exercised during the period from 17 March 2013 to 16 March 2019.

   Among the 138,036 stock options held by Mr. Chung Yuk Man, Clarence, 34,509 options may be exercised during the period from 17 March 2010 to 16 March 2019, 34,509 options may be exercised during the period from 17 March 2011 to 16 March 2019, 34,509 options may be exercised during the period from 17 March 2012 to 16 March 2019, 34,509 options may be exercised during the period from 17 March 2013 to 16 March 2019.

(B) Melco China Resorts (Holding) Limited ("MCR")

(a) Common shares (without par value) of MCR

Name of Director	Capacity	Number of common shares of MCR held	Approximate % of the total issued common shares of MCR
Mr. Lawrence Ho	Held by controlled corporations	43,109,134 *(Note 2)*	49.30%

(b) Class B non-voting shares (without par value) of MCR

Name of Director	Capacity	Number of Class B non-voting shares of MCR held	Approximate % of issued Class B non-voting shares of MCR
Mr. Lawrence Ho	Held by controlled corporations	8,437,565 *(Note 2)*	100%

(c) Warrants issued by MCR

Name of Director	Capacity	Number of underlying shares of MCR held	Approximate % of issued common shares of MCR
Mr. Lawrence Ho	Held by controlled corporations	1,000,000 *(Note 3)*	1.14%

(d) Stock options granted by MCR

Name of Director	Capacity	Number of stock options of MCR held	Approximate % of issued common shares of MCR
Mr. Chung Yuk Man, Clarence	Beneficial owner	300,000 *(Note 4)*	0.34%

Notes:

1. As at the Latest Practicable Date, the total number of issued common shares of MCR was 87,439,344 and the total number of issued Class B non-voting shares was 8,437,565.

2. Mr. Lawrence Ho is taken to be interested in 43,109,134 common shares and 8,437,565 Class B non-voting shares of MCR, which are being held by Melco (Luxembourg) S.à.r.l., a wholly-owned subsidiary of Melco Leisure, as a result of him being beneficially interested in approximately 34.07% of the issued share capital of the Company which in turn holds approximately 49.30% of the issued common shares of MCR and 100% of the issued Class B non-voting shares of MCR.

3. The 1,000,000 underlying shares relate to the 1,000,000 warrants issued by MCR to Melco (Luxembourg) S.à.r.l. on 28 May 2008. Each warrant entitling warrant holder to subscribe for one common share of MCR at an exercise price of CAD$4.00 per common share at any time on or before 27 May 2010.

4. The personal interest of Mr. Chung Yuk Man, Clarence represents his derivative interests in MCR comprising the stock options to acquire common shares of MCR granted by MCR on 28 May 2008 at an exercise price of CAD$3.00 per common share pursuant to the Stock Option Plan adopted by MCR in 2008.

   Among the 300,000 stock options held by Mr. Chung, 100,000 options may be exercised during the period from 28 May 2009 to 27 May 2018, 100,000 options may be exercised during the period from 28 May 2010 to 27 May 2018 and 100,000 options may be exercised during the period from 28 May 2011 to 27 May 2018.

(C) Elixir Gaming Technologies, Inc. ("EGT")

(a) Shares of Common Stock of US$0.001 each of EGT

Name of Director	Capacity	Number of shares of common stock of EGT held	Approximate % of issued share capital of EGT
Mr. Lawrence Ho	Held by controlled corporations	45,800,000 *(Note 2)*	39.84%
Mr. Chung Yuk Man, Clarence	Beneficial owner	175,000	0.15%

(b) Warrants issued by EGT

Name of Director	Capacity	Number of underlying shares of EGT held	Approximate % of issued share capital of EGT
Mr. Lawrence Ho	Held by controlled corporations	10,000,000 *(Notes 2 & 3)*	8.70%

(c) Stock options granted by EGT

Name of Director	Capacity	Number of stock options of EGT held	Approximate % of issued share capital of EGT
Mr. Tsui Che Yin, Frank	Beneficial owner	1,000,000 *(Note 4)*	0.87%
Mr. Chung Yuk Man, Clarence	Beneficial owner	200,000 *(Note 4)*	0.17%
	Beneficial owner	30,000 *(Note 5)*	0.03%
	Beneficial owner	100,000 *(Note 6)*	0.09%
	Beneficial owner	2,000,000 *(Note 7)*	1.74%
	Beneficial owner	50,000 *(Note 8)*	0.04%
	Beneficial owner	50,000 *(Note 10)*	0.04%
Mr. Sham Sui Leung, Daniel	Beneficial owner	100,000 *(Note 9)*	0.09%
	Beneficial owner	50,000 *(Note 8)*	0.04%

Notes:

1. As at the Latest Practicable Date, the total number of issued shares of common stock of EGT was 114,956,667.

2. Mr. Lawrence Ho is deemed to be interested in 45,800,000 shares of common stock of EGT and 10,000,000 underlying shares of EGT (which relate to certain EGT warrants as described in Note 3) as a result of him being beneficially interested in approximately 34.07% of the issued share capital of the Company which in turn holds approximately 39.84% of the issued share capital of EGT.

3. The 10,000,000 underlying shares relate to the 10,000,000 warrants issued by EGT to Elixir Group Limited ("Elixir"), a wholly-owned subsidiary of the Company, pursuant to the Securities Purchase Agreement entered into between Elixir and EGT dated 11 October 2006. Each warrant entitles the warrant holder to subscribe for one share of common stock of EGT at exercise prices ranging from US$1.00 to US$3.50 per share during the period from 31 December 2007 to 31 December 2010.

4. The personal interests of Mr. Tsui Che Yin, Frank and Mr. Chung Yuk Man, Clarence represent their derivative interests in EGT comprising the stock options granted to them by EGT on 10 September 2007 at an exercise price of US$2.90 per EGT's share.

   Among the 1,000,000 stock options granted to Mr. Tsui, 333,334 options may be exercised during the period from 17 May 2008 to 17 May 2012, 333,333 options may be exercised during the period from 17 May 2009 to 17 May 2012 and 333,333 options may be exercised during the period from 17 May 2010 to 17 May 2012.

   Among the 200,000 stock options granted to Mr. Chung, 66,666 options may be exercised during the period from 17 May 2008 to 17 May 2012, 66,666 options may be exercised during the period from 17 May 2009 to 17 May 2012 and 66,668 options may be exercised during the period from 17 May 2010 to 17 May 2012.

5. The personal interest of Mr. Chung Yuk Man, Clarence represents his derivative interests in EGT comprising the stock options granted to him by EGT on 22 January 2008 at an exercise price of US$3.62 per EGT's share. These stock options may be exercised during the period from 23 July 2008 to 22 January 2018.

6. The personal interest of Mr. Chung Yuk Man, Clarence represents his derivative interests in EGT comprising the stock options granted to him by EGT on 12 February 2008 at an exercise price of US$4.59 per EGT's share. These stock options may be exercised during the period from 15 May 2008 to 14 November 2017.

7. The personal interest of Mr. Chung Yuk Man, Clarence represents his derivative interests in EGT comprising the stock options granted to him by EGT on 29 December 2008 at an exercise price of US$0.17 per EGT's share. These stock options may be exercised during the period from 29 December 2009 to 29 December 2013.

8. The personal interests of Mr. Chung Yuk Man, Clarence and Mr. Sham Sui Leung, Daniel represent their derivative interests in EGT comprising the stock options granted to them by EGT on 13 February 2009 at an exercise price of US$0.13 per EGT's share. These stock options may be exercised during the period from 13 August 2009 to 12 February 2019.

9. The personal interest of Mr. Sham Sui Leung, Daniel represents his derivative interests in EGT comprising the stock options granted to him by EGT on 11 December 2008 at an exercise price of US$0.08 per EGT's share. These stock options may be exercised during the period from 12 June 2009 to 11 December 2018.

10. The personal interest of Mr. Chung Yuk Man, Clarence represents his derivative interests in EGT comprising the stock options granted to him by EGT on 7 January 2010 at an exercise price of US$0.29 per EGT's share. These stock options may be exercised during the period from 8 July 2010 to 7 January 2020.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules or which were required to be entered into the register required to be kept under Section 352 of the SFO.

(b) Interests and short positions of substantial Shareholders and other persons required to be disclosed under the SFO

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons (other than any Directors or chief executive of the Company) were substantial Shareholders of the Company (as defined in the Listing Rules) and had interests or short positions in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be entered into the register required to be kept under Section 336 of the SFO:

(i) Ordinary Shares of HK$0.50 each of the Company

		Number of ordinary Shares held/ approximate % of issued share capital				
Name	**Capacity**	**Long Positions**	**%**	**Short Positions**	**%**	*Note*
Better Joy	Beneficial owner	288,532,606	23.45%	–	–	2
Lasting Legend	Beneficial owner	115,509,024	9.39%	–	–	2
Mr. Lawrence Ho	Held by controlled corporations	411,335,630	33.43%	–	–	3
	Beneficial owner	7,793,951	0.63%	–	–	–
Ms. Lo Sau Yan, Sharen	Family interest	419,129,581	34.07%	–	–	4
Janus Capital Management LLC	Beneficial owner	123,792,000	10.06%	–	–	–

(ii) Convertible Loan Notes issued by the Company

Name	**Capacity**	**Number of underlying Shares held**	**Approximate % of issued share capital**	*Note*
Great Respect	Beneficial owner	117,912,694	9.58%	5
Mr. Lawrence Ho	Held by trust	117,912,694	9.58%	5
Ms. Lo Sau Yan, Sharen	Held by trust	117,912,694	9.58%	5
Dr. Stanley Ho	Held by trust	117,912,694	9.58%	5 & 6
SG Trust (Asia) Ltd.	Held by controlled corporations	117,912,694	9.58%	5

Notes:

1. As at the Latest Practicable Date, the total number of issued Shares was 1,230,258,939.

2. The Shares held by Better Joy and Lasting Legend also represent the corporate interests of Mr. Lawrence Ho in the Company.

3 The 411,335,630 Shares relate to the 115,509,024 Shares, 288,532,606 Shares and 7,294,000 Shares held by Lasting Legend, Better Joy and The L3G Capital Trust respectively, representing approximately 9.39%, 23.45% and 0.59% of the issued share capital of the Company. Lasting Legend, Better Joy and The L3G Capital Trust are owned by persons and/or trusts associated with Mr. Lawrence Ho.

4. Ms. Lo Sau Yan, Sharen is the spouse of Mr. Lawrence Ho and is deemed to be interested in the Shares in which Mr. Lawrence Ho is interested under the SFO.

5. Pursuant to an agreement dated 11 May 2005 entered into between Great Respect, MPEL (Greater China) Limited (formerly known as Melco PBL Entertainment (Greater China) Limited) and the Company, the Convertible Loan Notes of the Company in the total principal amount of HK$1,175,000,000 were issued to Great Respect on 5 September 2005 on the terms set out in the agreement. Upon exercise in full of such Convertible Loan Notes, a total of 117,912,694 Shares, representing 8.75% of the enlarged issued share capital of the Company, would be issued by the Company. Great Respect is a company controlled by a discretionary family trust, the beneficiaries of which include Mr. Lawrence Ho and his family members. SG Trust (Asia) Ltd. is the trustee of the aforesaid discretionary family trust. The shareholders approved the issue of the Convertible Loan Notes without the necessity to make an offer under Rule 26 of the Takeovers Code on conversion of the Convertible Loan Notes. Hence, no offer under Rule 26 of the Takeovers Code would be required to be made on full conversion. The Convertible Loan Notes are now proposed to be amended pursuant to the Deed of Amendment and a new Whitewash Waiver in respect of the Shares to be issued on conversion of the amended Convertible Loan Notes has been applied for, in each case as described in this circular.

6. Dr. Stanley Ho also holds 3,127,107 shares and 18,587,789 Shares through a controlled corporation, Lanceford Company Limited and in person respectively.

7. Regarding the interests of Mr. Lawrence Ho in other underlying Shares (in respect of the share options and awarded shares granted by the Company), please refer to the section "Directors' interests and short positions in the Shares and the shares of the Company's associated corporations" in this circular.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified of any other interests or short positions in the Shares and underlying Shares which had been recorded in the register required to be kept under Section 336 of the SFO.

5. DISCLOSURE OF INTERESTS UNDER THE TAKEOVERS CODE

5.1 Interests discloseable under Schedule I to the Takeovers Code

(a) Mr. Lawrence Ho's shareholding in the Company as at the Latest Practicable Date is set out on page 153 of this circular. Other than the Convertible Loan Notes, Great Respect does not have any shareholding in the Company as at the Latest Practicable Date.

(b) As at the Latest Practicable Date, no director of Great Respect was interested in any Shares, convertible securities, warrants, options or derivatives of the Company.

(c) As at the Latest Practicable Date, save as disclosed in the Letter from the Board under the section headed "Implications under the Takeovers Code", and in section 4 of this Appendix II headed "DISCLOSURE OF INTERESTS UNDER THE SFO" and (in respect of The Melco Share Purchase Scheme Trust and The Melco Share Award Scheme Trust) in section 5.2(c) of this Appendix II headed "Interests discloseable under Schedule II to the Takeovers Code", none of the parties acting in concert with Mr. Lawrence Ho or Great Respect owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company.

(d) As at the Latest Practicable Date, no one has irrevocably committed to vote in favour of or against the Whitewash Waiver.

(e) As at the Latest Practicable Date, no person that had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with Mr. Lawrence Ho or Great Respect or any person acting in concert with any of them owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company.

(f) As at the Latest Practicable Date, none of Mr. Lawrence Ho or Great Respect or any person acting in concert with any of them had borrowed or lent any Shares, convertible securities, warrants, options or derivatives of the Company.

5.2 Interests discloseable under Schedule II to the Takeovers Code

(a) As at the Latest Practicable Date, the Company had no holding of shares, convertible securities, warrants, options or derivatives of Great Respect.

(b) As at the Latest Practicable Date, save as disclosed in section 4 of this Appendix II headed "DISCLOSURE OF INTERESTS UNDER THE SFO", no Director was interested in any Shares, convertible securities, warrants, options or derivatives of the Company or Great Respect.

(c) As at the Latest Practicable Date, save as disclosed below in this sub-paragraph (c), none of the subsidiaries of the Company, any pension funds of the Company or any pension funds of the subsidiaries of the Company or any adviser to the Company as specified in class (2) of the definition of associate (excluding exempt principal traders) under the Takeovers Code owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company.

As at the Latest Practicable Date, BOCI-Prudential Trustee Limited, the trustee of the two share incentive award schemes of the Company, namely The Melco Share Purchase Scheme Trust and The Melco Share Award Scheme Trust, held:

(i) 1,339,813 Shares, being the unvested Shares previously awarded by the Company and the Shares held by the trustee to facilitate the Company's future grant of awarded shares under The Melco Share Purchase Scheme Trust; and

(ii) 261,672 Shares, being the unvested Shares previously awarded by the Company under The Melco Share Award Scheme Trust.

(d) As at the Latest Practicable Date, no person that had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company under classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company.

(e) As at the Latest Practicable Date, no fund manager connected with the Company (other than exempt fund managers) owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company which were managed on a discretionary basis by such fund manager.

(f) As at the Latest Practicable Date, none of the Directors who hold Shares have indicated whether or not they will vote in favour of or against the resolution in respect of the Whitewash Waiver to be proposed at the EGM.

(g) As at the Latest Practicable Date, none of the Company nor any Directors had borrowed or lent any shares in the Company, convertible securities, warrants, options or derivatives.

6. DEALINGS IN SHARES

6.1 Dealings in Shares during the Relevant Period discloseable under Schedule I to the Takeovers Code

(a) As at the Latest Practicable Date, save for the vesting of Shares awarded under The Melco Share Purchase Scheme Trust to the three relevant Directors as disclosed on page 16 of this circular, none of Mr. Lawrence Ho, Great Respect nor parties acting, or presumed to be acting, in concert with either of them under the Takeovers Code (including the members of the Lawrence Ho Concert Party, the Additional Class 6 Presumed Concert Parties, The Melco Share Purchase Scheme Trust and The Melco Share Award Scheme Trust) have dealt for value in the Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

(b) As at the Latest Practicable Date, no director of Great Respect has dealt for value in the Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

(c) As at the Latest Practicable Date, no person that had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with Mr. Lawrence Ho or Great Respect or any person acting in concert with either of them has dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company.

6.2 Dealings in Shares discloseable under Schedule II to the Takeovers Code

(a) As at the Latest Practicable Date, the Company has not dealt for value in the shares, convertible securities, warrants, options or derivatives of Great Respect during the Relevant Period.

(b) As at the Latest Practicable Date, save for the vesting of Shares awarded under The Melco Share Purchase Scheme Trust to the three relevant Directors as disclosed on page 16 of this circular, no Directors have dealt for value in the shares, convertible securities, warrants, options or derivatives of either the Company or Great Respect during the Relevant Period.

7. MATERIAL CHANGE

Saved as disclosed below, as at the Latest Practicable Date, there was no material change in the financial or trading position or outlook of the Group since 31 December 2008, being the date to which the latest published audited financial statements of the Group were made up.

(a) The Company announced on 23 February 2009 that Melco Technology Group Limited ("**Melco Technology**"), a wholly-owned subsidiary of the Company, had on that date entered into a sale and purchase agreement for shares with Glory Stand Investments Limited ("**Glory Stand**") and other party under which Melco Technology agreed to sell and Glory Stand agreed to purchase 80% of the issued share capital of the Company's wholly-owned subsidiary, iAsia Online Systems Limited ("**iAsia Online**"), at a consideration of HK$12 million. The said transaction was completed on 4 June 2009, whereupon iAsia Online and its subsidiaries ceased to be subsidiaries of the Group.

(b) The Company announced on 18 September 2009 and 21 September 2009 that Melco Financial Group Limited ("**Melco Financial**"), a wholly-owned subsidiary of the Company, as vendor and the Company as guarantor entered into a placing agreement with Kim Eng Securities (Hong Kong) Limited ("**Kim Eng**") as placing agent on 18 September 2009, pursuant to which Melco Financial agreed to appoint Kim Eng to dispose, by way of placing, of all the 160,930,380 shares ("**VC Shares**") of Value Convergence Holdings Limited ("**Value Convergence**") beneficially held by the Group at the price of HK$1.92 per VC Share to not less than 6 placees. All the 160,930,380 VC Shares were successfully placed to not less than 6 placees by Kim Eng after close of trading on 21 September 2009. Completion took place on 24 September 2009, whereupon Value Convergence ceased to be an associated company of the Company.

(c) During the period ended 30 June 2009, the Group's ownership interest in its associate, Melco Crown Entertainment Limited ("**Melco Crown Entertainment**"), decreased from 37.83% to 34.10%, as a result of (i) a follow-on public offering of shares of Melco Crown Entertainment and (ii) the vesting of certain restricted shares issued by Melco Crown Entertainment. The Group therefore recognised a loss of approximately HK$176 million which represents the decrease in net assets attributable to the Group during the period ended 30 June 2009. On 18 August 2009, Melco Crown Entertainment completed a follow-on public offering of shares of Melco Crown Entertainment. On the completion of the follow-on public offering, the Group's ownership interest in Melco Crown Entertainment was decreased from 34.10% to 31.36%. This transaction was announced on 28 April 2009, 4 May 2009, 13 August 2009 and 18 August 2009.

(d) The Company announced on 28 April 2009 that, in April 2009, Melco Crown Entertainment Asia Holdings Limited ("**MCEAH**"), an existing special purpose vehicle that is indirectly owned as to 50% by the Company and as to 50% by Crown Limited, committed to subscribe 67,500,000 ordinary shares of Melco Crown Entertainment at a subscription price of US$90 million (approximately HK$700.2 million). The subscription of shares of Melco Crown Entertainment was completed on 1 May 2009. The Group and Crown Limited agreed to provide MCEAH with the subscription money equally in the form of shareholders loans. In October 2009, MCEAH distributed the 67,500,000 shares of Melco Crown Entertainment to the Group and Crown Limited equally. Thereafter, the Group's ownership interest in Melco Crown Entertainment increased from 31.36% to 33.48%.

(e) The Company announced on 3 June 2009 and 9 September 2009 that, on 5 September 2007, the Company had 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**"), 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$972.5 million (US$125 million) 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. In order to meet the obligations under the contingent contribution undertaking, the Company has maintained a standby letter of credit for the amount of HK$972.5 million (US$125 million) until the date of final completion of the City of Dreams. The Company's obligation to provide contingent contribution has, in

May 2009, been reduced from HK$972.5 million (US$125 million) to HK$295.6 million (US$38 million) and, in September 2009, reduced from HK$295.6 million (US$38 million) to zero. As a result, the standby letter of credit which is required to be maintained under the contingent contribution undertaking has been returned to the Company's banker and cancelled.

(f) The Convertible Loan Notes with principal amount of HK$1,175 million was reclassified from non-current liabilities as stated in the latest published audited consolidated financial statements of the Group for the year ended 31 December 2008 to current liabilities as stated in the latest unaudited consolidated management accounts of the Group for the ten months ended 31 October 2009.

Except as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other material change (including any material adverse change) in the financial or trading position of the Group since 31 December 2008, being the date to which the latest published audited financial statements of the Group were made up.

8. QUALIFICATION AND CONSENT OF EXPERT

The following are the qualifications of the expert which has given its opinion which is contained in this circular.

Expert	**Qualification**
Cinda International Capital Limited	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Cinda International Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name and letter in the form and context in which they respectively appear.

As at the Latest Practicable Date, Cinda International Capital Limited did not have any shareholding in any member of the Group or the right to subscribe for or to nominate persons to subscribe for securities in any member of the Group. As at the Latest Practicable Date, Cinda International Capital Limited did not have any direct or indirect interest in any assets which have been, since 31 December 2008 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

9. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had an interest in a business which competes or is likely to compete with the business of the Group.

10. SERVICE CONTRACTS

As at the Latest Practicable Date, save as disclosed below in section 10, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group or any associated company which has more than 12 months to run and which does not expire or is not determinable within one year without payment of compensation (other than statutory compensation) and no service contract has been entered into or amended within 6 months before the date of the Announcement.

As at the Latest Practicable Date, save as disclosed below in this section 10, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries or associated companies which is in force and which:

(a) (including both continuous and fixed term contracts) has been entered into or amended within 6 months before 16 December 2009;

(b) is a continuous contract with a notice period of 12 months or more; or

(c) is a fixed term contract with more than 12 months to run irrespective of the notice period.

(i) Mr. Chung Yuk Man, Clarence has entered into an employment agreement with EGT, an associated company of the Company, on 10 November 2009, which contract is a fixed term contract expiring on 31 December 2012. The agreement provides for a base salary of US$1.00 per annum (subject to any increase as may be determined by EGT with the approval of its compensation committee), a discretionary performance bonus or bonuses (based on guidelines set by the compensation committee) and participation in EGT's 2008 stock incentive plan as determined by the compensation committee.

(ii) Mr. Chung Yuk Man, Clarence has also entered into an employment agreement with Melco Crown Gaming (Macau) Limited, a subsidiary of Melco Crown Entertainment Limited (which is itself an associated company of the Company) on 28 October 2009. This agreement, however, only comes into effect upon Mr. Chung receiving his work permit which has not happened yet as at the Latest Practicable Date. The agreement provides for a monthly salary of MOP$83,000 (equivalent to HK$80,585) and a monthly housing allowance of MOP$7,000 (equivalent to HK$6,796).

(iii) Mr. Tsui Che Yin, Frank has an employment agreement with Altira Developments Limited, a subsidiary of Melco Crown Entertainment Limited, which is an associated company of the Company. The said contract was amended on 1 January 2009. The contract period is 4 years from 10 July 2009 and will be automatically renewed for a period of 4 years. The notice period is less than 12 months. The amended agreement provides for a base salary of MOP$1,080,000 (equivalent to HK$1,048,572) per annum.

11. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or claims of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

12. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, were entered into by the Company or its subsidiaries within the two years immediately preceding the date of the Announcement up to the Latest Practicable Date which are or may be material:

(i) the Deed of Amendment, details of which are set out in the "Letter from the Board" contained in this circular, under the heading "Convertible Loan Notes";

(ii) a placing agreement entered into between Melco Financial Group Limited as vendor and the Company as guarantor and Kim Eng Securities (Hong Kong) Limited as placing agent dated 18 September 2009 in relation to the placing of a total of 160,930,380 shares in Value Convergence Holdings Limited, details of which are set out in the Company's announcement dated 18 September 2009;

(iii) an agreement for sale and purchase of shares entered into between Melco Technology Group Limited ("**Melco Technology**") as vendor, Glory Stand Investments Limited ("**Glory Stand**") as purchaser and Chan Sek Keung Ringo as guarantor dated 23 February 2009 under which Melco Technology agreed to sell and Glory Stand agreed to purchase 80% of the issued share capital of the Company's wholly-owned subsidiary, iAsia Online Systems Limited ("**iAsia Online**"), at a consideration of HK$12 million;

(iv) a shareholders' agreement entered into between Melco Technology, Glory Stand and iAsia Online dated 4 June 2009 for the purpose of regulating the relationship of Melco Technology and Glory Stand, being shareholders of iAsia Online, and certain aspects of the affairs of iAsia Online and its group companies; and

(v) the loan agreement in respect of the loan amounting to US$45 million as referred to in item 7(d) of section 7 of this Appendix II.

13. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

None of the Directors was materially interested in any contract or arrangement entered into by Mr. Lawrence Ho or Great Respect subsisting at the Latest Practicable Date.

Save and except the Convertible Loan Notes and the Deed of Amendment, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date, which was significant in relation to the business of the Group.

None of the Directors has any direct or indirect interests in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2008, being the date to which the latest published audited consolidated accounts of the Group were made up.

14. MISCELLANEOUS

(i) As at the Latest Practicable Date, no agreement, arrangement or understanding (including any compensation arrangement) exists between Mr. Lawrence Ho, Great Respect or any person acting in concert with either of them on the one part and any of the Directors, recent Directors, Shareholders or recent Shareholders of the Company on the other part having any connection with or dependent upon the Deed of Amendment and/or the Whitewash Waiver.

(ii) As at the Latest Practicable Date, there is no agreement or arrangement between any of the Directors and any other person which is conditional on or dependent upon the outcome of the Deed of Amendment and/or the Whitewash Waiver or otherwise connected therewith.

(iii) As at the Latest Practicable Date, there is no benefit to be given to any Director as compensation for loss of office or otherwise in connection with the Deed of Amendment and/or the Whitewash Waiver.

(iv) The registered office of the Company is 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong.

(v) The secretary of the Company is Mr. Tsang Yuen Wai, Samuel, a solicitor admitted in Hong Kong, England and Wales and Australia.

(vi) The finance director of the Company is Mr. Tam Chi Wai, Dennis, a Member of CPA Australia and a Member of the Institute of Certified Management Accountants, Australia.

(vii) The registered office of Great Respect is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

(viii) The correspondence address of Great Respect is 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong.

(ix) The correspondence address of Mr. Lawrence Ho is c/o 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong.

(x) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on the website of the Company at http://www.melco-group.com and on the website of the SFC at http://www.sfc.hk/dod/jsp/EN/DoDmain.jsp from the date of this circular up to and including the date of the EGM:

(i) the memorandum and articles of association of the Company;

(ii) the memorandum and articles of association of Great Respect;

(iii) the material contracts referred to in the section headed "Material Contracts" in this Appendix II;

(iv) the annual reports of the Company for the two years ended 31 December 2008 and 31 December 2007;

(v) the letter from the board set out in this circular;

(vi) the letter from the Independent Board Committee;

(vii) the letter from the Independent Financial Adviser;

(viii) the written consent of the Independent Financial Adviser;

(ix) the service contracts referred to in section 10 of this Appendix II; and

(x) the Deed of Amendment.

Melco International Development Limited

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

NOTICE IS HEREBY GIVEN (the "Notice") that an extraordinary general meeting (the "Meeting") of Melco International Development Limited (the "Company") will be held at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong at 10:30 a.m. on Monday, 8 February 2010 for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

   (a) the deed of amendment (the "Deed of Amendment") entered into between Great Respect Limited ("Great Respect") and Melco International Development Limited (the "Company") on 16 December 2009 to amend the terms of the HK$1,175 million in principal amount of convertible loan notes due 2010 issued by the Company to Great Respect (the "Convertible Loan Notes"), and the amendments to the terms of the convertible loan notes contemplated under the Deed of Amendment, be and are hereby approved, ratified and confirmed, including (but not limited to) as a connected transaction for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

   (b) the allotment and issue of new shares of the Company up to the maximum number which may be required to be issued on conversion in full of the amended Convertible Loan Notes, in accordance with the terms of the amended Convertible Loan Notes, be and is hereby approved; and

   (c) the directors of the Company be and are hereby authorized to take all steps necessary or expedient in their opinion to implement and/or give effect to the terms of the Deed of Amendment including without limitation the issue of new shares on exercise in full of the conversion rights under the Convertible Loan Notes as amended by the Deed of Amendment."

2. "**THAT** the whitewash waiver (the "Whitewash Waiver") waiving any obligation on the part of Great Respect Limited ("Great Respect") and Mr. Lawrence Ho and the parties acting in concert or presumed to be acting in concert with Great Respect and/or Mr. Lawrence Ho to make a mandatory general offer for the entire issued share capital of Melco International Development Limited (the "Company") not already owned by Great Respect or Mr. Lawrence Ho and persons respectively acting in concert with them, which would otherwise arise under Rule 26.1 of the Hong Kong Code on Takeovers and Mergers as a result of any and all future exercises of the conversion rights conferred by the HK$1,175 million in principal amount of convertible loan notes due 2010 issued

by the Company to Great Respect (the "Convertible Loan Notes"), as amended by the deed of amendment entered into between Great Respect and the Company on 16 December 2009 (the "Deed of Amendment"), be and is hereby approved and that the directors of the Company be and are hereby authorized to do all things and acts and sign all documents which they consider necessary or expedient to implement and/or give effect to any matters relating to or in connection with the Whitewash Waiver."

By order of the Board of
Melco International Development Limited
Tsang Yuen Wai, Samuel
Company Secretary

Hong Kong, 20 January 2010

Registered Office:
38th Floor
The Centrium
60 Wyndham Street
Central
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting may appoint one or more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company.

2. Where there are joint registered holders of any share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share of the Company as if he were solely entitled thereto; but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

3. In order to be valid, the proxy form duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the registered office of the Company at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

4. Whether or not you propose to attend the Meeting in person, you are strongly urged to complete and return the proxy form in accordance with the instructions printed thereon. Completion and return of the proxy form will not preclude you from attending the Meeting and voting in person if you so wish. In the event that you attend the Meeting after having lodged the proxy form, it will be deemed to have been revoked.

5. In accordance with the Listing Rules, voting on the above resolutions will be taken by poll.

As at the date of this notice, the board of directors of the Company 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; 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.