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Melco International Development Limited

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

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

FINANCIAL HIGHLIGHTS

1. Loss attributable to owners of the Company was HK$1,449.7 million for the year ended 31 December 2009, as compared with loss attributable to owners of the Company of HK$2,356.8 million for the year ended 31 December 2008.

2. Basic loss per share was HK118.05 cents for the year ended 31 December 2009, as compared with basic loss per share of HK192.08 cents for the year ended 31 December 2008.

3. Net asset value per share attributable to owners of the Company decreased by 15.6% to HK$5.43 as of 31 December 2009, as compared with HK$6.43 as of 31 December 2008.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	**2009** *HK$'000*	2008 *HK$'000*
Revenue	4	**709,553**	690,862
Other income		**62,158**	71,213
Investment income (loss)		**3,775**	(244)
Purchases and changes in inventories of finished goods		**(573,525)**	(677,532)
Employee benefits expense		**(125,548)**	(169,465)
Depreciation of property, plant and equipment		**(14,657)**	(21,738)
Loss on disposal of a subsidiary		**(1,804)**	–
Impairment loss recognised in respect of interests in associates	5	**–**	(1,160,838)
Impairment loss recognised in respect of available-for-sale investments		**(2,574)**	(147,861)
Impairment loss recognised in respect of amount due from an associate	6	**(189,506)**	–
Gain on changes in interest in an associate	11	**–**	54,370
Loss on deemed disposal of interests in associates	11	**(157,214)**	(5,904)
Gain on disposal of interest in an associate	11	**33,516**	–
Increase in fair value of investment properties		**–**	14,000
Fair value changes on derivative financial instruments		**(30)**	(227,691)
Fair value change on investment in convertible loan note		**75,410**	(206,428)
Other expenses		**(81,127)**	(179,605)
Finance costs		**(99,413)**	(107,401)
Share of (loss) profit of a jointly controlled entity	10	**(190,227)**	109,108
Share of losses of associates	11	**(896,601)**	(387,175)
Loss before tax		**(1,447,814)**	(2,352,329)
Income tax expense	7	**(602)**	(885)
Loss for the year		**(1,448,416)**	(2,353,214)

	Notes	**2009**	2008
		HK$'000	*HK$'000*
Other comprehensive income (loss)			
Exchange differences arising on translation of foreign operations		**313**	(313)
Share of other comprehensive income (loss) of associates		**28,028**	(82,589)
Share of other comprehensive income of a jointly controlled entity		**175,050**	–
Loss on fair value change of available-for-sale investments		**–**	(117,244)
Reclassification adjustment upon impairment of available-for-sale investments		**–**	147,861
Other comprehensive income (loss) for the year		**203,391**	(52,285)
Total comprehensive loss for the year		**(1,245,025)**	(2,405,499)
Loss for the year attributable to:			
Owners of the Company		**(1,449,685)**	(2,356,819)
Minority interests		**1,269**	3,605
		(1,448,416)	(2,353,214)
Total comprehensive loss attributable to:			
Owners of the Company		**(1,246,294)**	(2,409,104)
Minority interests		**1,269**	3,605
		(1,245,025)	(2,405,499)
Loss per share	9		
Basic (HK cents)		**(118.05)**	(192.08)
Diluted (HK cents)		**(118.05)**	(192.09)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Investment properties		**166,000**	166,000
Property, plant and equipment		**32,524**	42,977
Other intangible assets		**2,000**	2,000
Interests in jointly controlled entities	10	**–**	190,227
Interests in associates	11	**6,370,847**	7,126,710
Amounts due from associates	13	**627,321**	800,673
Available-for-sale investments		**8,829**	39,093
Investment in convertible loan note		**257,739**	168,573
Long term receivables		**4,000**	–
Goodwill		**4,113**	8,555
Pledged bank deposits	14	**–**	972,500
Deferred tax assets		**–**	719
		7,473,373	9,518,027
Current assets			
Inventories		**6,581**	57,652
Trade receivables	12	**62,530**	55,690
Prepayments, deposits and other receivables		**91,512**	232,534
Held-for-trading investments		**300**	150
Derivative financial instruments		**34**	64
Amounts due from associates	13	**34,827**	130,555
Pledged bank deposits	14	**7,988**	6,738
Bank deposits with original maturity over three months		**707,024**	164,896
Bank balances and cash		**153,754**	239,875
		1,064,550	888,154

	Notes	**2009**	2008
		HK$'000	*HK$'000*
Current liabilities			
Trade payables	15	**110,313**	309,664
Other payables		**56,191**	124,095
Shareholder's loan		**–**	250,000
Dividend payable		**86**	133
Taxation payable		**721**	689
Financial guarantee liability	16	**146,188**	45,217
Bank borrowings – due within one year	17	**166,400**	96,400
Convertible loan note – due within one year	18	**1,128,227**	–
		1,608,126	826,198
Net current (liabilities) assets		**(543,576)**	61,956
Total assets less current liabilities		**6,929,797**	9,579,983
Non-current liabilities			
Trade payables – due after one year	15	**–**	81,678
Financial guarantee liability	16	**–**	121,808
Bank borrowings – due after one year	17	**50,200**	216,600
Long term payable		**170,537**	172,496
Convertible loan note – due after one year	18	**–**	1,061,861
		220,737	1,654,443
		6,709,060	7,925,540
Capital and reserves			
Share capital		**615,130**	614,666
Reserves		**6,066,626**	7,284,839
Equity attributable to owners of the Company		**6,681,756**	7,899,505
Minority interests		**27,304**	26,035
		6,709,060	7,925,540

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

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 addresses of the registered office and principal place of business of the Company are 38th floor, The Centrium, 60 Wyndham Street, Hong Kong.

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

The principal activities of the Company and its subsidiaries (the "Group") are divided into three divisions, namely (i) Leisure, Gaming and Entertainment division; (ii) Technology division; and (iii) Property and Other Investments division.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group finances its capital intensive operations by bank borrowings and convertible loan note. The Group had net current liabilities of approximately HK$543,576,000 as at 31 December 2009, including a convertible loan note of approximately HK$1,128,227,000 which will be matured in 2010. As disclosed in note 20, subsequent to the end of the reporting period, the Company has agreed with the holder of the convertible loan note to amend the terms of the convertible loan note and extend the maturity date from 4 September 2010 to 4 September 2013 with effect from 18 February 2010. In addition, the holder of the convertible loan note has agreed not to exercise the early redemption option, which is granted in accordance to the amendment of the terms of the convertible loan note, until after 31 December 2010 unless the Company has sufficient working capital to redeem whole or part of the convertible loan note.

The directors of the Company are of the opinion that, taking into accounts the presently available banking facilities and internal financial resources of the Group, the Group has sufficient working capital for its present requirements within one year from the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

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

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods have been prepared and presented.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see note 4) as compared with the primary reportable segments determined in accordance with HKAS 14, except Technology segment is now broken down into "Technology Segment – Elixir" and "Technology Segment – iAsia". The adoption of HKFRS 8 has not changed the basis of measurement of segment profit or loss.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

New and revised HKFRSs affecting the accounting policies

HKAS 23 (Revised 2007) Borrowing Costs

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 previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. This change in accounting policy has not resulted in restatement of amounts reported in respect of prior accounting periods.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

[1] Effective for annual periods beginning on or after 1 July 2009.

[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

[3] Effective for annual periods beginning on or after 1 January 2010.

[4] Effective for annual periods beginning on or after 1 February 2010.

[5] Effective for annual periods beginning on or after 1 July 2010.

[6] Effective for annual periods beginning on or after 1 January 2011.

[7] Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the accounting for the Group's business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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 consolidated financial statements.

4. SEGMENTS INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 is a disclosure standard that 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 for the purpose of allocating resources to segments and assessing 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. 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, except Technology segment reported under HKAS 14 is now broken down into "Technology Segment – Elixir" and "Technology Segment – iAsia". The adoption of HKFRS 8 has not changed the basis of measurement of segment profit or loss.

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 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 the PRC.

(4) Property and Other Investments Segment: It mainly comprises property investments, advances to associates, available-for-sales investments and related segment bank balances.

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

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

2009

	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*
External sales	**87,549**	**560,411**	**20,244**	**41,349**	**–**	**709,553**
Inter-segment sales	**1,251**	**9**	**5**	**5,544**	**(6,809)**	**–**
Total revenue	**88,800**	**560,420**	**20,249**	**46,893**	**(6,809)**	**709,553**
Segment result	**(762)**	**5,039**	**3,972**	**43,493**	**–**	**51,742**
Loss on disposal of a subsidiary						**(1,804)**
Loss on deemed disposal of interests in associates						**(157,214)**
Gain on disposal of interest in an associate						**33,516**
Impairment loss recognised in respect of available-for-sale investments						**(2,574)**
Impairment loss recognised in respect of amount due from an associate						**(189,506)**
Fair value changes on derivative financial instruments						**(30)**
Fair value change on investment in convertible loan note						**75,410**
Finance costs						**(99,413)**
Share of loss of a jointly controlled entity						**(190,227)**
Share of losses of associates						**(896,601)**
Unallocated corporate income						**28,848**
Central administrative costs and other unallocated corporate expenses						**(99,961)**
Loss before tax						**(1,447,814)**

2008

	Leisure, Gaming and Entertainment	Technology Elixir	iAsia	Property and Other Investments	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
External sales	103,260	457,386	55,446	74,770	–	690,862
Inter-segment sales	1,342	19	170	1,811	(3,342)	–
Total revenue	104,602	457,405	55,616	76,581	(3,342)	690,862
Segment result	2,879	(258,188)	6,319	88,065	(7)	(160,932)
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 interest in an associate						54,370
Loss on deemed disposal of interests in associates						(5,904)
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 profit of a jointly controlled entity						109,108
Share of losses of associates						(387,175)
Unallocated corporate income						47,734
Central administrative costs and other unallocated corporate expenses						(159,311)
Loss before tax						(2,352,329)

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

The accounting policies of the reportable segments are the same as the Group's accounting policies. 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 and items as disclosed in the above table which are non-operating in nature. This is the measure reported to Group's Chief Executive Officer for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

Segment assets

	2009	2008
	HK$'000	*HK$'000*
Leisure, Gaming and Entertainment	**41,157**	44,559
Technology		
– Elixir	**208,522**	404,718
– iAsia	**–**	13,168
Property and Other Investments	**1,623,791**	2,262,034
Total segment assets	**1,873,470**	2,724,479
Interests in associates	**6,370,847**	7,126,710
Interests in jointly controlled entities	**–**	190,227
Unallocated assets	**293,606**	364,765
Consolidated assets	**8,537,923**	10,406,181

Segment liabilities

	2009	2008
	HK$'000	*HK$'000*
Leisure, Gaming and Entertainment	**18,184**	14,424
Technology		
– Elixir	**129,331**	476,459
– iAsia	**–**	8,489
Property and Other Investments	**389**	690
Total segment liabilities	**147,904**	500,062
Unallocated liabilities	**1,680,959**	1,980,579
Consolidated liabilities	**1,828,863**	2,480,641

For the purposes monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than interests in associates, interests in jointly controlled entities, investment in convertible loan note, amounts due from associates, pledged bank deposits and other assets not attributable to respective segment.

- all liabilities are allocated to reportable segments other than bank borrowings, shareholder's loan, financial guarantee liability, long term payable and other liabilities not attributable to respective segment.

Other segment information

2009

	Leisure, Gaming and Entertainment	Technology		Property and Other Investments	Unallocated	Consolidated
		Elixir	iAsia			
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:						
Interest income	–	–	–	**35,800**	–	**35,800**
Capital additions	**2,037**	**1,667**	**813**	–	**2,785**	**7,302**
Depreciation	**5,182**	**1,898**	**291**	–	**7,286**	**14,657**
Loss on disposal of property, plant and equipment	**332**	**1,161**	–	**112**	–	**1,605**
Allowance for doubtful debts	–	**2,020**	–	–	–	**2,020**
Allowance for inventories	–	**22,363**	–	–	–	**22,363**
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:						
Interests in associates	**6,367,608**	–	–	–	**3,239**	**6,370,847**
Share of loss of a jointly controlled entity	**190,227**	–	–	–	–	**190,227**
Share of losses (profits) of associates	**900,484**	–	–	–	**(3,883)**	**896,601**

2008

	Leisure, Gaming and Entertainment	Technology Elixir	Technology iAsia	Property and Other Investments	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:						
Interest income	–	–	–	68,129	–	68,129
Capital additions	2,232	11,871	2,436	–	3,232	19,771
Depreciation	5,395	2,825	829	–	12,689	21,738
Loss (gain) on disposal of property, plant and equipment	14	166	(303)	42	–	(81)
Allowance for doubtful debts	–	5,580	642	–	–	6,222
Allowance for inventories	–	220,030	–	–	–	220,030
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:						
Interests in associates	6,860,831	–	–	–	265,879	7,126,710
Interest in a jointly controlled entity	190,227	–	–	–	–	190,227
Share of profit of a jointly controlled entity	109,108	–	–	–	–	109,108
Share of losses (profits) of associates	390,465	–	–	–	(3,290)	387,175

Geographical information

The Group's operations are located in the People's Republic of China (the "PRC") (country of domicile). Non-current assets of approximately HK$6,579,484,000 (2008: HK$7,536,469,000) of the Group are located in the PRC.

All of the Group's revenue from external customers based on location of customers is generated from the PRC.

Information about major customers

During the year ended 31 December 2009, revenue from a customer contributing over 10% of the total sales of the Group amounted to approximately HK$413,230,000 (2008: The corresponding revenue did not contribute over 10% of the total sales of the Group).

5. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF INTERESTS IN ASSOCIATES

During the year ended 31 December 2008, the Group performed an impairment assessment on its interests in associates with reference to the recoverable amount and recognised an impairment loss of approximately HK$1,160,838,000 in relation to its interests in associates – Elixir Gaming Technologies, Inc. ("EGT") and Melco China Resorts Holding Limited ("MCR BC"). MCR BC is a company having its shares listed on TSX Venture Exchange in Toronto, Canada ("TSX Venture") while EGT is a company having its shares listed on the NYSE Amex. The recoverable amounts of EGT and MCR BC were approximately HK$57,268,000 in aggregate and had been determined based on the quoted bid prices of the shares of EGT and MCR BC as at 31 December 2008. During the year ended 31 December 2009, EGT and MCR BC continued to be loss making and in the opinion of the directors of the Company, there does not exist objective evidence that a reversal of impairment loss has occurred as at 31 December 2009. Accordingly, no reversal of impairment loss recognised is considered necessary.

6. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF AMOUNT DUE FROM AN ASSOCIATE

During the year ended 31 December 2009, MCR BC continued to be loss making after the opening of a major resort project in the PRC during the year. The Group therefore performed an impairment assessment on amount due from MCR BC amounting to approximately HK$194,103,000. The Group has reviewed the financial position and liquidity position of MCR BC and recognised an impairment loss amounting to approximately HK$189,506,000.

7. INCOME TAX EXPENSE

	2009	2008
	HK$'000	*HK$'000*
Underprovision in prior years:		
– Other jurisdictions	**–**	(12)
Deferred taxation:		
– Current year	**(602)**	(782)
– Attributable to a change in tax rate	**–**	(91)
	(602)	(885)

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% on the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax for the years ended 31 December 2009 and 2008 is made as there is no estimated assessable profit derived from Hong Kong. Taxation arising in other jurisdictions is calculated at the rate prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the loss before tax per consolidated statement of comprehensive income as follows:

	2009	2008
	HK$'000	*HK$'000*
Loss before tax:	**(1,447,814)**	(2,352,329)
Tax at Hong Kong Profits Tax rate of 16.5%	**(238,889)**	(388,134)
Tax effect of share of results of associates and a jointly controlled entity	**179,327**	45,881
Tax effect of expenses not deductible for tax purposes	**77,520**	353,294
Tax effect of income not taxable for tax purposes	**(28,914)**	(29,140)
Underprovision in respect of prior years	**–**	12
Tax effect of tax loss not recognised	**16,051**	22,849
Tax effect of deductible temporary difference not recognised	**1,165**	–
Utilisation of tax losses previously not recognised	**(5,658)**	(3,968)
Decrease in opening deferred tax balance resulting from a decrease in applicable tax rate	**–**	91
Tax charge for the year	**602**	885

8. DIVIDENDS

The 2007 final dividend of HK1 cent per share amounted to approximately HK$12,271,000 was recognised as distribution during the year ended 31 December 2008. The dividends for shares held under the share purchase scheme are eliminated from the final dividend for 2007.

The directors of the Company do not recommend the payment of a dividend for the years ended 31 December 2009 and 2008.

9. 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:

	2009	2008
	HK$'000	*HK$'000*
Loss for the purpose of basic loss per share (loss for the year attributable to owners of the Company)	**(1,449,685)**	(2,356,819)
Effect of dilutive potential ordinary shares:		
Adjustment to the share of results of associates based on potential dilution of their earnings per share	**–**	(111)
Loss for the purpose of diluted loss per share	**(1,449,685)**	(2,356,930)

	2009	2008
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,227,984**	1,226,994

The number of shares adopted in the calculation of the basic loss 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 both years does not assume the conversion of the Company's outstanding convertible loan note, the effect of share option, unvested awarded shares under the Company's long-term incentive schemes since their assumed exercise would result in a decrease in loss per share.

10. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2009	2008
	HK$'000	*HK$'000*
Cost of unlisted investments in jointly controlled entities	**225,706**	225,706
Share of post-acquisition losses and other comprehensive income, net of dividends received	**(225,706)**	(35,479)
	–	190,227

As at 31 December 2009 and 2008, the Group had interest in the following principal jointly controlled entities:

Name	**Place of incorporation/ operation**	**Class shares held**	**Percentage of interest in ownership**	**Principal activities**
Melco Crown SPV Limited ("Melco Crown SPV")	Cayman Islands/ Hong Kong	Ordinary shares	50%	Issuer of exchangeable bonds which are convertible into shares of an associate of the Group
Melco Crown Entertainment Asia Holdings Limited ("MCEAH")	Cayman Islands/ Hong Kong	Ordinary shares	50%	Investment holding and became inactive after distribution of available-for-sale investment

As at 31 December 2009 and 2008, the Group's interests in jointly controlled entities are principally represented by interests in Melco Crown SPV and MCEAH. As disclosed in note 16, Melco Crown SPV is a joint venture for the issuance of exchangeable bonds ("Exchangeable Bonds") which can be convertible into shares of Melco Crown Entertainment Limited ("Melco Crown Entertainment"), an associate of the Group. The expense of this jointly controlled entity attributable to the Group's interests includes an amount of approximately HK$165,325,000 (2008: income of approximately HK$270,115,000) representing change of fair value on these Exchangeable Bonds, which are designated as financial liability at fair value through profit or loss.

As disclosed in note 16, the Group and the Company has provided a guarantee in respect of the Exchangeable Bonds of HK$1,950 million (US$250 million). As at 31 December 2009, the jointly controlled entity is at a net deficit position and the Group therefore recognised a further provision of approximately HK$24,380,000 which is included in financial guarantee liability classified as current liabilities.

In May 2009, Melco Crown Entertainment completed a follow-on public offering, of which 67,500,000 ordinary shares of Melco Crown Entertainment was subscribed by MCEAH at a consideration of HK$700,200,000 (US$90,000,000). Melco Leisure and Entertainment Group Limited ("Melco Leisure"), a wholly owned subsidiary of the Company and another joint venture partner of MCEAH, has each injected HK$350,100,000 for MCEAH to subscribe Melco Crown Entertainment's 33,750,000 ordinary shares. In October 2009, MCEAH distributed 33,750,000 ordinary shares of Melco Crown Entertainment to Melco Leisure as dividends in specie for approximately HK$525,150,000. The accumulated gain of approximately HK$175,050,000 (US$22,500,000) on the holding of Melco Crown Entertainment's shares as available-for-sale investments was therefore shared by the Group and included in other revaluation reserve.

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:

	2009	2008
	HK$'000	*HK$'000*
Current assets	**852,086**	856,156
Non-current assets	**76,592**	121,809
Current liabilities	**(8)**	(13)
Non-current liabilities	**(953,050)**	(787,725)
Income recognised in profit or loss	**19,616**	295,353
Expense recognised in profit or loss	**209,843**	186,245

11. INTERESTS IN ASSOCIATES

	2009 *HK$'000*	2008 *HK$'000*
Cost of investment in associates		
Listed in the United States of America ("US")	**7,321,298**	6,794,183
Listed in Canada	**339,601**	339,601
Listed in Hong Kong	**25,022**	279,698
Unlisted	**297,490**	294,868
Gain on changes in interests in associates	**1,449,756**	1,597,827
Impairment losses recognised	**(1,160,838)**	(1,160,838)
Share of exchange and hedging reserves	**(83,682)**	(111,916)
Share of post-acquisition results	**(1,817,800)**	(906,713)
	6,370,847	7,126,710
Fair value of listed investments *(note a)*	**4,790,964**	4,249,846
Carrying amount of interests in associates with shares listed on respective stock exchanges	**6,343,198**	7,078,723

As at the end of the reporting period, the Group had interests in the following principal associates:

Name	Place of incorporation/ operation	Class shares held	Percentage of interest in ownership 2009	2008	Principal activities
Melco Crown Entertainment *(Note b)*	Cayman Islands/ Macau	Ordinary shares	**33.45%**	37.83%	Operating of electronic gaming machine lounges, casino games of chance and other casino games and hotel business
MCR BC *(Note b)*	Canada/PRC	Ordinary shares and preference shares	**49.30%**	49.30%	Operating of ski resorts
MelcoLot Limited *(Notes b and d)*	Cayman Islands/ PRC	Ordinary shares	**11.09%**	10.41%	Lottery business management services and provision of network system integration solutions

Name	Place of incorporation/ operation	Class shares held	Percentage of interest in ownership		Principal activities
			2009	2008	
Power Way *(Note c)*	British Virgin Islands/Hong Kong	Ordinary shares	**58.70%**	58.70%	Investment holding
EGT *(Note b)*	US/Philippines and Cambodia	Ordinary shares	**39.84%**	39.84%	Provision of electronic gaming machines to gaming operators
iAsia Online Systems Limited ("iAsia")	British Virgin Islands/Hong Kong	Ordinary shares	**20%**	100%	Provision of online trading software in Hong Kong
Value Convergence Holdings Limited ("VC")	Hong Kong/ Hong Kong	Ordinary shares	**–**	43.36%	Provision of financial and investment service

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 ("ADS") of Melco Crown Entertainment are listed on the National Association of Securities Dealers Automated Quotations ("NASDAQ"). The shares of MCR BC are listed on TSX Venture. The shares of MelcoLot Limited are listed on the Growth Enterprise Market of the Stock Exchange. The shares of EGT are listed on NYSE Amex.

(c) The Group holds 58.7% (2008: 58.7%) 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. The Group's effective interest in MelcoLot Limited would be increased to 35.2% on a fully-diluted basis if all outstanding convertible loan notes issued by MelcoLot Limited were fully converted. The Group is the single largest shareholder of MelcoLot Limited. 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 2009, included in the cost of investment in associates is goodwill of approximately HK$120,049,000 arising on 33,750,000 ordinary shares of Melco Crown Entertainment through distribution of dividend in specie at the fair value of Melco Crown Entertainment's shares of approximately HK$525,150,000 received in October 2009 as disclosed in note 10. This amount of goodwill represents the difference between the fair value of Melco Crown Entertainment's shares received and the Group's share of net asset values of relevant interest in Melco Crown Entertainment at date of distribution.

During the year ended 31 December 2008, the goodwill related to EGT of approximately HK$738,099,000 was fully impaired and included in the impairment loss recognised in respect of interests in associates as disclosed in note 5.

During the year ended 31 December 2009, the Group's interests in certain associates have been changed with details disclosed below. A loss on changes in interests in associates, net, amounting to approximately HK$123,698,000 (2008: gain of approximately HK$48,466,000) has been recognised in profit or loss.

(a) During the year ended 31 December 2009 the Group's ownership interest in Melco Crown Entertainment decreased resulting from the vesting of certain restricted shares issued by Melco Crown Entertainment, and the follow-on public offerings of Melco Crown Entertainment. As a result, the Group therefore recognised a loss of approximately HK$156,980,000 which represents the decrease in net assets attributable to the Group of approximately HK$148,846,000 and the realisation of special reserve to profit or loss of approximately HK$8,134,000.

(b) During the year ended 31 December 2009 the Group's ownership interest in VC decreased resulting from the exercise of certain share options of VC by the option holders. As a result, the Group therefore recognised a loss of approximately HK$234,000 which represents the decrease in net assets attributable to the Group.

(c) On 24 September 2009, the Group disposed of its entire interest in VC at a net consideration of approximately HK$302,634,000. The Group recognised a gain on disposal of VC amounting to approximately HK$33,516,000, which represents the excess of the consideration received over the share of net assets attributable to the Group at the date of disposal.

(d) 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, 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. 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.

(e) During the year ended 31 December 2008, the Group's ownership interest in Melco Crown Entertainment decreased 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.

(f) During the year ended 31 December 2008, the Group's ownership interest in VC decreased 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 attributable to the Group.

(g) 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 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.

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

	2009	2008
	HK$'000	*HK$'000*
Total assets	**39,595,488**	38,356,518
Total liabilities	**(20,735,829)**	(18,599,332)
Net assets	**18,859,659**	19,757,186
Group's share of net assets of associates	**6,673,537**	7,549,449
Less: Impairment loss	**(422,739)**	(422,739)
	6,250,798	7,126,710
Revenue	**10,736,586**	11,501,320
Loss for the year	**(3,222,776)**	(1,009,928)
Group's share of other comprehensive income (loss)	**28,028**	(82,589)
Group's share of losses and other comprehensive income (loss) of associates for the year	**(868,573)**	(469,764)

12. TRADE RECEIVABLES

	2009	2008
	HK$'000	*HK$'000*
Trade receivables *(Notes a & b)*	**70,563**	63,192
Allowance for doubtful receivables	**(8,033)**	(7,502)
	62,530	55,690

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**37,556**	15,901
31 – 90 days	**9,537**	12,299
Over 90 days	**15,437**	27,490
	62,530	55,690

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 segments 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$27,872,000 (2008: HK$43,595,000) 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:

	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**2,898**	3,806
31-90 days	**9,537**	12,299
Over 90 days	**15,437**	27,490
Total	**27,872**	43,595

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

Movement in the allowance for doubtful debts

	2009	2008
	HK$'000	*HK$'000*
Balance at the beginning of the year	**7,502**	3,310
Impairment recognised	**2,020**	6,222
Amounts written off as uncollectible	**(585)**	(2,030)
Disposal of a subsidiary	**(904)**	–
Balance at the end of the year	**8,033**	7,502

13. AMOUNTS DUE FROM ASSOCIATES

Included in amounts due from associates are:

i) amount due from an associate of approximately HK$578,578,000 (2008: HK$578,578,000) which is unsecured, interest bearing at HIBOR (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, 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;

ii) amount due from an associate of approximately HK$73,076,000 (2008: HK$93,898,000) which is unsecured and interest bearing at 5% per annum. Approximately HK$24,333,000 out of the HK$73,076,000 is repayable within twelve months from the end of the reporting period and the remaining HK$48,743,000 is repayable after twelve months from the end of the reporting period. 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$194,103,000 (2008: HK$173,976,000) in which approximately HK$2,951,000 is unsecured and repayable on demand, approximately HK$11,839,000 is unsecured and repayable on 28 January 2010 and approximately HK$179,313,000 is unsecured and repayable on 31 March 2010. Approximately HK$106,675,000 out of the HK$194,103,000 is interest bearing at 3-month London Interbank Offered Rate ("LIBOR") plus 3% per annum and the remaining HK$87,428,000 (2008: HK$80,203,000) is non-interest bearing. A deemed capital contribution of approximately HK$5,770,000 has been recognised on the non-interest bearing balance using interest rate at LIBOR plus 3% per annum during the year ended 31 December 2008. As disclosed in note 6, the Group recognised an impairment in respect of amount due from this associate amounting to approximately HK$189,506,000 (2008: Nil) during the year ended 31 December 2009; 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 as at 31 December 2008. The amount was fully settled during the year ended 31 December 2009.

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

The Group's concentration of credit risk by geographical location is mainly in the PRC, which accounted for 89% (31 December 2008: 90%) of amount due from associates as at 31 December 2009.

14. PLEDGE OF ASSETS

At 31 December 2009, the Group pledged certain of its investment properties and bank deposits for the following purposes:

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

(b) The Group's bank deposits of approximately HK$7,041,000 (2008: HK$5,791,000) were pledged to a bank for the completion of a sale agreement with a customer, which is expected to be completed within one year.

At 31 December 2008, the Group placed a bank deposit of HK$972,500,000 (equivalent to US$125,000,000) for an undertaking in connection with the loan facilities obtained by Melco Crown Entertainment. This undertaking and related bank deposit was released during the year ended 31 December 2009.

The deposits carry fixed interest rate of about 0.04% (2008: 3.0%) per annum.

15. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on payment due date at the end of the reporting period.

	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**76,246**	132,973
31-90 days	**13,086**	19,857
Over 90 days	**3,431**	40,356
	92,763	193,186
Trade payable by instalment *(note)*	**17,550**	198,156
	110,313	391,342
Analysed as:		
Current liabilities	**110,313**	309,664
Non-current liabilities	**–**	81,678
	110,313	391,342

Note: The amount represents trade payable to vendors by instalment for one year, which bearing interest at 5% (2008: 2.5% to 12%) per annum.

16. FINANCIAL GUARANTEE LIABILITY

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 holders of Exchangeable Bonds have a put option exercisable in September 2010 to require Melco Crown SPV to redeem the full amount of the aggregated principal amount. The put option is only exercisable on a single occasion in September 2010 and cannot be exercised after that date. 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.

As at 31 December 2009, the Group assessed the financial position of Melco Crown SPV and considered that it is probable for the Group to settle the financial guarantee. As at 31 December 2009, the carrying amount of the financial guarantee liability is estimated to be approximately HK$146,188,000 based on the maximum amount that the Group is required to settle the financial guarantee. As at 31 December 2008, the financial guarantee liability of HK$167,025,000 represented the unamortised amount in which HK$45,217,000 was shown as current liability and the remaining amount of approximately HK$121,808,000 was shown as non-current liability.

During the year ended 31 December 2009, an amount of approximately HK$20,837,000 (2008: HK$45,217,000) was recognised in other income of the consolidated statement of comprehensive income, which include the amortisation of financial guarantee income of approximately HK$45,217,000 (2008: HK$45,217,000) net of additional provision of financial guarantee liability of approximately HK$24,380,000 (2008: Nil).

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

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

17. BANK BORROWINGS

	2009	2008
	HK$'000	*HK$'000*
Secured	**66,600**	83,000
Unsecured	**150,000**	230,000
	216,600	313,000
Carrying amount repayable:		
Within one year	**166,400**	96,400
More than one year, but not exceeding two years	**50,200**	166,400
More than two years, but not exceeding five years	**–**	50,200
	216,600	313,000
Less: Amounts due within one year shown under current liabilities	**(166,400)**	(96,400)
	50,200	216,600

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

18. CONVERTIBLE LOAN NOTE

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 2009, the effective interest rate of the liability component is 6.25% (2008: 6.25%) per annum.

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

	2009	2008
	HK$'000	*HK$'000*
Carrying amounts at the beginning of the year	**1,061,861**	999,399
Interest on convertible loan note	**66,366**	62,462
Carrying amount at the end of the year	**1,128,227**	1,061,861
Analysed for reporting purpose as:		
Current liabilities	**1,128,227**	–
Non-current liabilities	**–**	1,061,861
	1,128,227	1,061,861

19. CONTINGENT LIABILITIES

On 5 September 2007, the Company has given an undertaking in connection with the HK$13.65 billion (US$1.75 billion) loan facilities obtained by Melco Crown Gaming (Macau) Limited ("Melco Crown Gaming", formerly known as Melco PBL Gaming (Macau) Limited), a subsidiary of Melco Crown Entertainment. The undertaking given by the Company is to ensure that a contingent contribution of up to a maximum amount of HK$972,500,000 (US$125,000,000) will be provided, upon request of the facility agent acting on behalf of the lenders, to pay contingencies (if any) associated with the construction of the City of Dreams project of Melco Crown Gaming in the absence of other available funding for completion of the project. The Company maintains a standby letter of credit for the said maximum amount to support its contingent obligation. This undertaking and standby letter of credit were released during the year ended 31 December 2009.

The Group recognised financial guarantee liabilities in respect of the Exchangeable Bonds issued by Melco Crown SPV which are jointly and severally guaranteed by the Company and Crown Limited. Details of the guarantee are disclosed in notes 10 and 16.

20. EVENT AFTER THE REPORTING PERIOD

On 18 February 2010, pursuant to the amendments set out in by a Deed of Amendment, which is entered into between the Company and the holder of the convertible loan note, Great Respect Limited, a company controlled by a discretionary family trust, the beneficiaries of which include Mr. Ho, Lawrence Yau Lung and his family members, became effective. According to the Deed of Amendment, the maturity date of convertible loan note as disclosed in note 18 is extended from 4 September 2010 to 4 September 2013, the conversion price is reduced from HK$9.965 per share to HK$3.93 per share and early redemption option is granted to the Company and the holder of the convertible loan note. No interest will be payable for the outstanding amount during the extended term of the convertible loan note. The directors of the Company are currently assessing the financial effects of the amendments of the convertible loan note on the consolidated financial statements of the Group.

CHAIRMAN & CEO'S STATEMENT

2009 was an exceptional, yet important year for Melco Group. The global economy, especially in the first half of the year, struggled in the aftermath of the financial crisis. Adding to that, the spread of the human swine flu dampened tourism significantly for a few months. Despite the continued challenges in the operating environment and still having to brave the global macroeconomic headwinds, I am pleased to report that the Group has made significant progress during the year.

We devoted the year to strengthening our business focus on leisure, gaming and entertainment in Macau. While we divested our non-core businesses, we have also achieved the most important milestone in the Group's development. Our flagship project, City of Dreams, opened on time and on budget in June 2009, signifying the beginning of a new era for the entertainment industry in Asia. It has brought a significant boost to our market share, mass market in particular, in Macau.

However, as City of Dreams only opened in June 2009 and its mass market offerings were not yet in full operation during the review year, its contribution to the Group's results was restricted. In addition, Altira Macau underwent strategic changes in the last quarter of 2009 – although its rolling chip performance was temporarily disrupted, it has already shown improvement in 2010.

To cope with the unfavorable market environment in 2009, the Group implemented several cost rationalization initiatives which have effectively improved the operational efficiency of its businesses. Our balance sheet remains strong, and our commitment in delivering outstanding quality and services bore fruits with our properties snatching international hospitality awards. Group-wise, we received multiple accolades from the investment community for our efforts and commitment in up-keeping the highest standards of corporate governance and contributing to the social sustainability and stability in both Hong Kong and Macau.

Going forward into 2010, I believe our business is in its best shape yet. With City of Dream's performance in mass market improving significantly and Altira Macau showing strong return of rolling chip levels under a more profitable commission environment, our key businesses are on a positive trajectory. We will continue to enhance our entertainment offerings at City of Dreams, including the debut of the world's largest water-based show "The House of Dancing Water" at the purpose-built Theater of Dreams in mid-2010. We anticipate the number of visitors to Macau and City of Dreams to surge in the coming year. We also expect to see notable improvement in our core leisure and entertainment units' performance, with full operating results and increased market share from our comprehensive portfolio comprising City of Dreams, Altira Macau and Mocha Clubs.

This will be a memorable year for the Group as it is the 100th anniversary of Melco Group. Since the Company's establishment in 1910, Melco has witnessed dramatic evolution of the Greater China Region, especially in Macau. Given the positive economic outlook in China, the strong support from both Central and Macau SAR Government plus Macau's geographic advantage, we are optimistic about what we will achieve in 2010.

Deep-rooted in Macau for a century, Melco Group will remain committed to achieving the highest possible returns for shareholders; following the best corporate governance practices and honoring its corporate social responsibilities as always.

Finally, I would like to express my heartfelt thanks to all employees for their continuous support, effort and loyalty over the past years. I would also like to thank all shareholders for their trust in the Group. We continue to count on your commitment and dedication to help ensure the success of Melco Group in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENTS AND DEVELOPMENTS

Melco International Development Limited ("Melco" or the "Group") has had a very important year. The Group sharpened its competitive edge and strengthened its core leisure, gaming and entertainment businesses in Macau by divesting some of its non-core businesses. This strategic move enabled the Group to achieve several important milestones throughout 2009.

CORE BUSINESSES

Gaming Business in Macau

The Group operates its core gaming business in Macau through its 33.5[1]%-owned, NASDAQ-listed associate, Melco Crown Entertainment Limited ("Melco Crown Entertainment"), which was upgraded to NASDAQ Global Select Market in January 2009.

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[1] The Group's interest in Melco Crown Entertainment had decreased from 37.8% as at 1 January 2009 to 37.6% due to vesting of certain restricted shares issued by Melco Crown Entertainment in March 2009. On 1 May 2009, Melco Crown Entertainment completed a follow-on public offering, of which 67,500,000 ordinary shares of Melco Crown Entertainment were subscribed by Melco Crown Entertainment Asia Holdings Limited ("MCEAH"), a company indirectly owned as to 50% by the Group. The Group's interest in Melco Crown Entertainment had thus been diluted to 34.1%. On 18 August 2009, Melco Crown Entertainment completed another follow-on public offering. As a result, the Group's interest in Melco Crown Entertainment had been reduced to 31.4%. In October 2009, MCEAH distributed 33,750,000 ordinary shares of Melco Crown Entertainment to the Group as dividend in specie. Thereafter, the Group's interest in Melco Crown Entertainment has increased to 33.5%.

Despite continued challenges in its operating environment, Melco Crown Entertainment's flagship property, City of Dreams, opened on time and within budget in June 2009. Although City of Dreams could only contribute seven months' revenue towards Melco Crown Entertainment in 2009, City of Dreams has quickly become the "must experience" integrated urban entertainment resort in Macau. With its sophisticated, highly contemporary, city-inspired offerings, City of Dreams offers Asian and international visitors in Macau a diverse entertainment and leisure experience. With City of Dreams, Melco successfully tapped into the high-growth mass market in Macau. Over the past six months, City of Dreams continuously fine-tuned its offerings by improving the ambiance on its casino floor, which has shown promising results and brought increased traffic. Sequential improvement in mass market hold and table drop were reported, with drop volume breaking US$150 million for the first time in December 2009. Strong operational performance continued at the beginning of 2010, with January's drop volume surpassing US$170 million.

In 2009, Melco Crown Entertainment also re-branded its Taipa casino property, Crown Macau, as Altira Macau. This repositioning is essential and strategic to differentiate it from City of Dreams. Altira Macau is firmly positioned as a distinctive Asian high-roller oriented property at the highest quality.

Over the fourth quarter of 2009, Altira Macau underwent strategic changes to its operating model to strengthen profitability in the long run. The commission cap legislation effective in December last year was the catalyst for Altira Macau to transition from an outsourced credit provision model under a single aggregator, to a more profitable business model where relationships with our gaming promoters are direct. The transition posed a temporary negative impact on its rolling chip volume in the fourth quarter. However, Altira Macau's financial performance has rebounded in January 2010 immediately. Its rolling chip levels have bounced back to approximately MOP30 billion, resulting in Melco Crown Entertainment's market share rebounding to 16%. This combined with reduced junket commission rates have solidly improved the property's profitability.

Altira Macau's strong commitment to highest quality services was honored the Forbes Five Star rating in both Lodging and Spa categories by the 2010 Forbes Travel Guide. Altira Macau is the only new hotel awarded in Asia for these two categories. Altira Macau's signature restaurants, Ying and Aurora, which offer sophisticated Chinese and Italian cuisines, received One-Star rating from the world's most respected source of restaurant evaluations, the Michelin Guide. These prestigious awards recognise the exceptional services and facilities of Altira Macau and distinguish the property as one of the world's absolute best.

Gaming Machine Revenue Participation Business in South East Asia

Elixir Gaming Technologies, Inc. ("EGT"), in which the Group has an effective equity interest of 39.8%, made solid progress in the gaming market in South East Asia. EGT posted strong financial results in 2009, achieving record revenue in the fourth quarter and positive adjusted EBITDA for the fiscal year – first time since enacting its new business model in September 2007.

Since its initial machine placements in January 2009 at NagaWorld hotel and casino resort in Phnom Penh, Cambodia, which is owned by the Hong Kong listed NagaCorp Limited (Stock Code: 3918), EGT has experienced aggressive growth in average consolidated win per unit per day (WUD), with average WUD for the fourth quarter of 2009 up 22% from the previous quarter and 123% from the prior-year period.

EGT successfully refocused its operations, executed cost efficiency initiatives, and improved financial flexibility in 2009. With the strong solid momentum in its core operations, EGT is better positioned to capitalize on selected expansion opportunities and grow shareholder value in the future.

Lottery Management Business in Asia

MelcoLot, in which the Group has a 35.2% effective interest on a fully diluted basis (assuming full conversion of all outstanding convertibles), has enhanced its focus on the lottery sector during the reporting period. On 30 December 2009, MelcoLot divested its network system integration business, with an estimated loss on realization of the transaction at approximately HK$14.6 million. The disposal streamlines MelcoLot's businesses, enabling a clearer focus of its managerial resources and future investment on its lottery business which offers higher potential for future growth.

In China, the launch of skill games (similar to fixed odds betting) has provided a new business opportunity for MelcoLot. With the upcoming World Cup capturing the interest of soccer fans globally, it is expected that China's lottery market, particularly the sports lottery sector, will see a great boost in sales. Meanwhile, with the participation of European lottery giant Intralot as a strategic shareholder, MelcoLot gained access to Intralot's proprietary industry leading software for provision of lottery products and services into the China lottery market. MelcoLot will now be able to capitalise on the benefits of this software capability with projects in China.

Outside China, MelcoLot's investment in Nanum Lotto, South Korea's sole government-authorized welfare lottery operator started bearing fruit. Nanum Lotto achieved profitability in 2009 as turnover reached approximately US$2 billion.

NON-CORE BUSINESSES

Ski Resort Business in China

The Group owns 49.3% of Melco China Resorts (Holding) Limited ("MCR"), which owns and operates the largest destination ski resort in China, namely Sun Mountain Yabuli Resort in Heilongjiang ("Yabuli Resort"). Yabuli Resort was awarded "Best Resort Makeover in Asia" by TIME Magazine in February 2009 and was the host of the 2009 World Winter University Games.

In 2009, MCR successfully transformed the world-class luxury mountain resort into one that also offers excellent real estate investment opportunities for discerning buyers. In September 2009, Yabuli Resort's distinctive vacation homes encompassing 51 housing units topped out. These "ski in, ski out" resort homes offer the first-ever opportunity in China to invest in resort real estate within a true four-season mountain environment.

Subsequent to the review year, MCR formed a strategic partnership with Club Med Asie S.A ("Club Med") by entering into definitive management agreements for Club Med to operate and manage two of the new hotels at Yabuli Resort. Leveraging Club Med's renowned reputation for quality, luxury, and service as well as its marketing expertise, the partnership allows MCR to immediately expand its reach in China.

MCR also entered into a strategic relationship agreement with the China Entrepreneurs Forum ("CEF") under which CEF has agreed to hold all of its future Annual Forums at Yabuli Resort on a permanent basis.

Additionally, MCR has entered into definitive agreements with Wisecord Holdings Limited ("WHL") for the issuance of 100,000,000 new common shares to WHL at C$0.15 per share. Upon completion of the transaction, which is expected to occur in April 2010 upon satisfaction of all closing conditions, the Group's shareholding in MCR will be diluted down to 28.7%. This transaction is in line with Melco's divestment strategy for non-gaming investments.

Financial Services Business in Hong Kong and Macau

The Group no longer engaged in any business related to financial services in Hong Kong and Macau. Melco divested all interest of Value Convergence Holdings Limited ("VC") by way of placing at the price of HK$1.92 per placing share in September 2009. Value Convergence ceased to be an associated company of Melco.

The disposal of Value Convergence further validated Melco's efforts to divest its peripheral businesses in order to focus on its core businesses in gaming and entertainment in Macau.

OUTLOOK

We expect 2010 to be an exciting and rewarding year for Melco, particularly given the positive economic outlook in China, the continued strong support from both the Central Government of China and Macau SAR Government and the geographic advantage of proximity to a huge population base that Macau enjoys.

Although new casinos have been opened in Singapore recently, it is expected to have minimal impact on Macau. In fact, Macau registered a substantial year-on-year increase in gaming table revenue in 2009. With mass market growth trends favourable to City of Dreams and a return to stronger rolling chip levels under a more profitable commission environment at Altira Macau, Melco's core Gaming and Macau businesses are on a positive growth trajectory.

To facilitate expansion of its share within the mass market, Melco Crown Entertainment is transforming the second floor of City of Dreams into a center of entertainment and nightlife in Macau, providing guests with a true Las Vegas-style gaming and entertainment experience in the heart of Cotai. Adding to that, City of Dreams' portfolio of accommodation, including Crown Towers, Grand Hyatt Macau and Hard Rock Hotel, are in full operation. City of Dreams will also unveil the world's largest water-based Dragone production, "The House of Dancing Water", at the 2,000-seat purpose-built Theater of Dreams in mid-2010. This inspiring production together with all the entertainment spots, night clubs and retail outlets will reinforce City of Dream's attraction as a major multi-faceted entertainment destination. City of Dreams is expected to attract a diversity of multi-day visitors to Macau and strengthen Macau's position as one of Asia's premier leisure and entertainment destinations.

Boasting a comprehensive portfolio of assets targeting a wide range of customer segments, the Group is well-positioned to compete favourably and strongly benefit from the rising performance trend of the gaming industry in Macau.

FINANCIAL REVIEW

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

	Year ended 31 December 2009 *HK$'000*	Year ended 31 December 2008 *HK$'000*
Segmental Result: Leisure, Gaming and Entertainment	**(762)**	2,879
Segmental Result: Technology	**9,011**	(251,869)
Segmental Result: Property and Other Investments	**43,493**	88,065
Intra-group elimination	**–**	(7)
Group segmental result	**51,742**	(160,932)
Share of losses of associates	**(896,601)**	(387,175)
Share of (loss) profit of a jointly controlled entity	**(190,227)**	109,108
Loss on deemed disposal of interests in associates	**(157,214)**	(5,904)
Gain on changes in interest in an associate	**–**	54,370
Gain on disposal of interest in an associate	**33,516**	–
Loss on disposal of a subsidiary	**(1,804)**	–
Impairment loss recognised in respect of amount due from an associate	**(189,506)**	–
Impairment loss recognised in respect of interests in associates	**–**	(1,160,838)
Impairment loss recognised in respect of available-for-sale investments	**(2,574)**	(147,861)
Fair value changes on derivative financial instruments	**(30)**	(227,691)
Fair value change on investment in convertible loan note	**75,410**	(206,428)
Unallocated corporate income	**28,848**	47,734
Central administrative costs and other unallocated corporate expenses	**(99,961)**	(159,311)
Finance costs	**(99,413)**	(107,401)
Loss before tax	**(1,447,814)**	(2,352,329)
Income tax expense	**(602)**	(885)
Loss for the year	**(1,448,416)**	(2,353,214)
Minority interests	**(1,269)**	(3,605)
Loss for the year attributable to owners of the Company	**(1,449,685)**	(2,356,819)

LEISURE, GAMING AND ENTERTAINMENT

The leisure, gaming and entertainment businesses are mainly formed by the core (i) Macau gaming business (conducted via 33.5%-owned Melco Crown Entertainment), (ii) Gaming machine revenue participation business (conducted through 39.8%-owned EGT), and (iii) lottery business (conducted through MelcoLot, in which the Group has an effective interest of 35.2% on a fully diluted basis (assuming full conversion of all outstanding convertibles)), together with other non-core business of Jumbo Kingdom.

(1) Core leisure, gaming and entertainment businesses

The core Macau gaming business, gaming machine revenue participation business and lottery business are reported below under "SHARE OF LOSSES OF ASSOCIATES".

(2) Non-core leisure, gaming and entertainment business

For the year ended 31 December 2009, losses from this segment amounted to HK$0.8 million (year ended 31 December 2008: profit of HK$2.9 million) and the breakdown is as follows:

	Year ended 31 December	
	2009	2008
	HK$'000	*HK$'000*
Jumbo Kingdom	**372**	2,704
Others	**(1,134)**	175
	(762)	2,879

Jumbo Kingdom

Jumbo Kingdom includes the Jumbo and Tai-Pak floating restaurants located in Aberdeen, Hong Kong.

Affected by the aftermath of the global financial crisis, the business made a smaller positive contribution of approximately HK$0.4 million for year ended 31 December 2009 (year ended 31 December 2008: HK$2.7 million).

Others

Other items consist mainly of professional fees incurred in the administration of intermediate holding companies as well as exchange differences arising from consolidation.

TECHNOLOGY

The Group's technology business is conducted through its wholly owned subsidiaries, Elixir Group Limited ("Elixir Technology") and iAsia Online Systems Limited ("iAsia Online"), which has become an associate as from 4 June 2009. Contribution from this segment was approximately HK$9.0 million for the year ended 31 December 2009 (year ended 31 December 2008: loss of HK$251.9 million) and was made up as follows:

	Year ended 31 December	
	2009	2008
	HK$'000	*HK$'000*
Elixir Technology	**5,055**	(258,165)
iAsia Online	**3,972**	6,319
Others	**(16)**	(23)
	9,011	(251,869)

Elixir Technology

Elixir Technology is a gaming product supplier specializing in the design, development, and supply of gaming technologies, including surveillance equipment and other gaming products used in casinos. With the successful completion of certain major technology solution projects and continued progress on cost reduction and containment initiatives, it made a positive contribution of approximately HK$5.1 million for the year ended 31 December 2009 (2008: loss of HK$258.2 million, of which approximately HK$220 million related to write off of inventory and approximately HK$20 million related to the closure costs of its R&D department).

iAsia Online

For the period from 1 January 2009 to 3 June 2009, the date after which iAsia Online has become an associate, iAsia Online made a positive contribution to the Group of approximately HK$4.0 million (2008: HK$6.3 million).

On 4 June 2009, the Group completed the disposal of 80% of the issued share capital of iAsia Online. As a result, iAsia Online ceased to be a subsidiary of the Group in June 2009 and became an associate thenceforth. Therefore, the results of iAsia Online for the rest of the year are shown under the category of "SHARE OF LOSSES OF ASSOCIATES".

PROPERTY AND OTHER INVESTMENTS

This division handles property and other treasury investments for the Group. For the year ended 31 December 2009, it recorded a profit of HK$43.5 million (2008: HK$88.1 million). The decrease is due to the drop in short term deposit interest rates as compared to the previous year.

SHARE OF LOSSES OF ASSOCIATES

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

	Year ended 31 December	
	2009	2008
	HK$'000	*HK$'000*
Share of (loss) profit of Melco Crown Entertainment (1)	**(803,359)**	33,076
Share of loss of EGT (2)	**(53,487)**	(95,785)
Share of loss of MelcoLot (3)	**(2,224)**	(19,698)
Share of loss of MCR (4)	**(17,839)**	(47,773)
Share of profit of VC (5)	**3,266**	3,290
Share of profit of iAsia Online (6)	**617**	–
Share of loss of Power Way (7)	**(23,575)**	(260,285)
	(896,601)	(387,175)

(1) Share of (loss) profit of Melco Crown Entertainment

For the year under review, the Group's attributable loss arising from its 33.5% ownership of Melco Crown Entertainment amounted to approximately HK$803.4 million (2008: attributable profit of HK$33.1 million) after taking into account the adjustments under the generally accepted accounting principles ("GAAP") in Hong Kong.

According to the financial statements (prepared under US GAAP) of Melco Crown Entertainment, Melco Crown Entertainment reported net revenue of US$1.33 billion for the year ended 31 December 2009, versus US$1.42 billion for the year ended 31 December 2008. Melco Crown Entertainment reported a net loss of US$308.5 million for 2009, compared to a net loss of US$2.5 million for 2008. The year-on-year decrease in net revenue was driven primarily by a decline in global economic conditions combined with low rolling chip hold percentages at Altira Macau and City of Dreams, which was partially offset by the opening of City of Dreams in June 2009. The year-on-year increase in net loss was primarily due to increased depreciation and amortisation expenses and lower capitalized interest following the opening of City of Dreams, as well as lower than expected rolling chip volume and rolling chip hold percentage.

City of Dreams opened on 1 June 2009 and contributed seven full months of operating performance to Melco Crown Entertainment in 2009. For the year ended 31 December 2009, net revenue at City of Dreams was US$552.1 million and adjusted EBITDA was a profit of US$56.7 million. Rolling chip volume totaled US$20.3 billion and the rolling chip table games hold percentage (calculated before discounts and commissions) was 2.65%, below the target rolling chip hold percentage of 2.85%. In the mass market table games segment, drop (a measure of mass market gaming volume) totaled US$912.6 million and the mass market table games hold percentage was 16.3%, which is within the expected range for mass market table games hold percentage of 16.0% – 18.0%.

For the year ended 31 December 2009, net revenue at Altira Macau was US$658.0 million versus US$1,313.0 million in the year ended 31 December 2008. Altira Macau generated a positive adjusted EBITDA of US$13.7 million in 2009 compared with a profit of US$162.5 million in 2008. Rolling chip volume totaled US$37.5 billion for 2009, down from US$62.3 billion in 2008 and rolling chip table games hold percentage (calculated before discounts and commissions) was 2.55% in 2009, which are below the target rolling chip hold percentage of 2.85%. In the mass market table games segment, drop (a measure of mass market gaming volume) totaled US$273.0 million, down from US$353.2 million generated in the previous year. The mass market table games hold percentage was 16.0% in 2009, which is within the expected range for mass market table games hold percentage of 16.0% – 18.0%.

Net operating revenue from Mocha Clubs totaled US$98.0 million in the year ended 31 December 2009, up from US$92.0 million in the year ended 31 December 2008. Mocha Clubs generated US$25.4 million of adjusted EBITDA in 2009, as compared to US$25.8 million in the previous year. In the fourth quarter of 2009, the number of gaming machines in operation at the Mocha Clubs averaged approximately 1,560. The net win per gaming machine per day was US$174 for the fourth quarter of 2009, as compared with US$223 for the same period last year.

(2) Share of loss of EGT

Listed on the NYSE Amex, EGT is a provider of gaming technology solutions, with a primary focus on leasing electronic gaming machines on a revenue sharing basis to gaming establishments within Pan Asian region. It retains ownership of the gaming machines and systems and receives recurring daily fees based on an agreed upon percentage of the net gaming win per machine and provides on-site maintenance. For the year ended 31 December 2009, the Group's attributable loss arising from 39.8%-owned EGT amounted to approximately HK$53.5 million (2008: HK$95.8 million) after taking into account the adjustments under GAAP in Hong Kong. During the year, the Group's interest in EGT was written down to zero. Going forward, as the Group has already written down the value of its investment in EGT to zero, there will not be any attributable losses incurred in future accounting periods.

According to the financial statements of EGT (prepared under US GAAP), revenue for the year increased to approximately US$15.6 million, as compared to approximately US$11.1 million in 2008. The increase in revenue was driven by strong performance in gaming machines on participation and gaming chip operations offset by declines in non-gaming business. In addition, EGT made substantial progress in restructuring its operations and streamlining its cost structure in 2009. For the fiscal year 2009, EGT reported a net loss of approximately US$26.4 million (2008: US$27 million). Adjusted EBITDA for the year was approximately US$33,000 as compared to a negative adjusted EBITDA of approximately US$11.4 million for the fiscal year 2008.

As at 1 March 2010, EGT had an operating machine base of 1,393 in a total of seven venues in operation, comprised of six venues in the Philippines with a total of 833 installed units and one venue in Cambodia with a total of 560 installed units. With significant improvements to its operations in the fiscal year 2009 and a solid beginning to the fiscal year 2010, EGT will continue to pro-actively focus on maximizing gaming participation revenue and average net win results from its growing base of installed units in both its markets. In Cambodia, EGT will continue to work with its venue operator partner, NagaWorld, to develop and implement targeted marketing initiatives, which drive player traffic and loyalty and shorten the ramp up time for new machine installations. In the Philippines, EGT is focused on improving long-term performance with the benefit of the reallocation of gaming assets to focus on the top-performing venues, continued focus on targeted marketing initiatives, and the ramp up of several immature venues. In addition, EGT is actively pursuing selective placement opportunities in new and existing markets, where it can leverage its expertise and relationships and capitalize on the solid foundation it has built in Cambodia and the Philippines.

(3) Share of loss of MelcoLot

MelcoLot, a company listed on the GEM of the Hong Kong Stock Exchange (Stock Code: 8198), manages one of the largest lottery retail sales networks in China and owns 60% of a manufacturing plant in Shanghai which manufactures and distributes lottery vending terminals. The alliance with INTRALOT SA (INLOT: ATH) provides MelcoLot with access to the INTRALOT's renowned proprietary lottery software through various exclusivity arrangements in China, enabling it to be a strong bidder for any lottery-related projects in China as well as other Asian countries. MelcoLot's 100%-owned KTeMS Co Ltd also owns 14% of a consortium (incorporated in South Korea and formed by renowned international and Korean partners) which operates the nationwide welfare lottery, Nanum Lotto, under an exclusive license from the government of South Korea.

As at 31 December 2008, the Group's interest in MelcoLot was written down to HK$1.3 million. During the year, the Group acquired additional shares of MelcoLot from a then shareholder of MelcoLot at an aggregate consideration of approximately HK$0.9 million. The Group's share of loss of MelcoLot has exceeded the sum of the carry value of the interest in MelcoLot as at 31 December 2008 and the cost of additional interest in MelcoLot during 2009. As an investment cannot be written down below zero, the loss attributable to the Group is only restricted to the carrying value of the investment. The share of further loss has discontinued after the Group's interest is written down to zero. The Group's attributable loss for the year ended 31 December 2009 thus amounted to HK$2.2 million (2008: HK$ 19.7 million). Going forward, as the Group has already written down the value of its investment in MelcoLot to zero, there will not be any attributable losses incurred in future accounting periods.

According to the financial statements of MelcoLot, the total revenue from continuing operations of HK$86.1 million was driven by the lottery business, representing a decrease of 52% compared to HK$180.7 million in the previous year. Net loss for the year amounted to HK$397.4 million (2008: HK$469.1 million) was mainly due to the recessionary economic environment, as well as the non-cash accounting losses relating to an impairment loss on goodwill of approximately HK$216.9 million (2008: HK$259.9 million), imputed interest on convertible bonds of approximately HK$65.1 million (2008: HK$39.5 million) and depreciation and amortization expenses of property, plant and equipment and intangible assets of approximately HK$26.1 million (2008: HK$54.6 million).

(4) Share of loss of MCR

MCR, in which the Group has an equity interest of 49.3%, owns and operates ski resorts in China, namely Sun Mountain Yabuli Resort in Heilongjiang ("Yabuli Resort").

As at 31 December 2008, the Group's interest in MCR was written down to HK$10.9 million, its then prevailing market value. During the year, the Group's share of loss of MCR has exceeded the sum of this amount and the Group's share of reserves of MCR. As an investment cannot be written down below zero, the loss attributable to the Group is only restricted to the carrying value of the investment. Such a loss amounted to HK$17.8 million for the year ended 31 December 2009 (2008: HK$ 47.8 million). Going forward, as the Group has already written down the value of its investment in MCR to zero, there will not be any attributable losses incurred in future accounting periods.

According to the financial statements (prepared under Canadian GAAP) of MCR, total revenue and net results for continuing operations were driven by resort operations. No real estate sales activities were undertaken during 2008 and 2009. Revenue from continuing operations totaled C$2.8 million for the year ended 31 December 2009 versus C$0.7 million for the period from 6 February 2008 (date of incorporation) to 31 December 2008. The increase in revenue was due to resort operations for the whole period of 2009 while only a 7-month operation period recognised in 2008. Resort operations were severely limited in both 2008 and 2009 due to MCR's financial constraints caused by the global financial crisis. Including the effect of discontinued operations, MCR recorded a net loss of C$66.8 million for 2009 (2008: C$136 million, C$116.8 million of which related to discontinued operations of two resorts and goodwill impairment). The loss for 2009 was primarily due to the discontinued operation relating to the Jilin Melco Sky Mountain Beidahu Ski Resort Co., Ltd. and an impairment loss on goodwill of C$22.7 million.

(5) Share of profit of VC

Listed on the Hong Kong Stock Exchange, VC offers corporate finance advisory services as well as brokering and dealing for clients in securities, futures and options contracts. Following a restructuring in 2007, VC became an associate of the Group. On 24 September 2009, the Group completed disposal of its entire interest in VC by way of placing at the price of HK$1.92 per placing share, upon which the Group ceased to have any equity interest in VC, VC was no longer an associated company of the Group.

The profit attributable to the Group from its 43.2% ownership of VC before its disposal on 24 September 2009 amounted to HK$3.3 million.

(6) Share of profit of iAsia Online

On 4 June 2009, the Group completed the disposal of 80% of the issued share capital of its wholly owned subsidiary, iAsia Online, at a consideration of HK$12 million. iAsia Online thus ceased to be a subsidiary of the Group and has thenceforth been accounted for as an associate. The profit attributable to the Group from its 20% ownership of iAsia Online from 4 June 2009 to the end of the year amounted to HK$0.6 million.

(7) Share of loss of Power Way

In 2007, the Group underwent a restructuring of its lottery management business by the disposal of its interest in a then subsidiary, PAL Development Limited ("PAL"), to a special purpose company called Power Way Group Limited ("Power Way"), which was formed by the Group and certain independent third parties (collectively referred as "Power Way Shareholders"). On the same date, after the transfer of the interest in PAL and certain subsidiaries (collectively the "Assets") from the Power Way Shareholders to Power Way, Power Way then disposed of the Assets to MelcoLot Limited ("MelcoLot") in exchange for certain shares and convertible loan note issued by MelcoLot. Power Way had since become an associate of the Company.

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

For the year ended 31 December 2009, the attributable loss arising from Power Way amounted to HK$23.6 million (2008: attributable loss of HK$260.3 million, of which approximately HK$248 million was due to a write-down of the fair value of certain convertible loan notes issued by MelcoLot and held by Power Way) mainly due to an impairment for a loan to an associate of the Group.

SHARE OF (LOSS) PROFIT OF A JOINTLY CONTROLLED ENTITY

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

On 11 September 2007 and 24 September 2007, the Exchangeable Bonds with an aggregate principal amount of HK$1,560 million (US$200 million) and HK$390 million (US$50 million) respectively (together US$250 million) were issued. Both of which will mature in September 2012 and have been listed on the Singapore Stock Exchange. The holders of Exchangeable Bonds have a put option exercisable in September 2010 to require Melco Crown SPV to redeem the full amount of the aggregated principal amount. The put option is only exercisable on a single occasion in September 2010 and cannot be exercised after that date. The Exchangeable Bonds are jointly and severally guaranteed by the Group and Crown Limited. As at 31 December 2009, Melco Crown SPV is at a net deficit position and the Group therefore recognised a further provision for deficit of Melco Crown SPV for approximately HK$24.4 million, which is included in financial guarantee liability classified as current liabilities.

For the year ended 31 December 2009, the attributable loss amounting to approximately HK$190.2 million (2008: profit of HK$109.1 million) was recognised mainly due to the increase in fair value of the outstanding Exchangeable Bonds (the liability component).

LOSS ON DEEMED DISPOSAL OF INTERESTS IN ASSOCIATES

Loss on deemed disposal of interests in associates is made up of the following items:

	Year ended 31 December	
	2009	2008
	HK$'000	*HK$'000*
Loss on deemed disposal of interest in Melco Crown Entertainment (1)	**(156,980)**	(3,136)
Loss on deemed disposal of interest in VC (2)	**(234)**	(514)
Loss on deemed disposal of interest in MelcoLot (3)	**–**	(2,254)
	(157,214)	(5,904)

(1) Loss on deemed disposal of interest in Melco Crown Entertainment

During the year ended 31 December 2009, the Group's ownership in Melco Crown Entertainment decreased from 37.8% to 33.5%, resulting from (1) the follow-on public offerings of Melco Crown Entertainment and (2) the vesting of certain restricted share issued by Melco Crown Entertainment. As a result, the Group recognised a loss of approximately HK$157 million representing the decrease in net assets attributable to the Group of approximately HK$148.9 million and the realisation of special reserve to profit or loss of approximately HK$8.1 million.

(2) Loss on deemed disposal of interest in VC

During the period from the beginning of the year to the date of disposal of VC, the Group's equity interest in VC decreased resulting from the exercise of certain share options of VC by the option holders. Therefore, the Group recognised a loss of approximately HK$234,000 for the year ended 31 December 2009 (2008: HK$514,000), representing the decrease in net assets of VC attributable to the Group.

(3) Loss on deemed disposal of interest in MelcoLot

During the year ended 31 December 2008, the Group's ownership in MelcoLot decreased from 11.0% to 10.4% resulting from the issuance of shares by MelcoLot. As a result, the Group recognised a loss of approximately HK$2.3 million representing the decrease in net assets attributable to the Group.

GAIN ON CHANGES IN INTEREST IN AN ASSOCIATE

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

On 28 May 2008, MCR completed the reverse takeover of Virtual China Travel Services, Co., Ltd. ("VCTS") by way of an amalgamation and its common shares and warrants commenced trading on the TSX Venture Exchange on the same date.

As a result of the above, the Group's effective ownership interest in the associate has been changed to 49.3% but the net assets of MCR attributable to the Group have increased. Therefore, a gain of approximately HK$54.4 million was recognised for the year ended 31 December 2008.

GAIN ON DISPOSAL OF INTEREST IN AN ASSOCIATE

On 24 September 2009, the Group disposed of its entire interest in VC at a net consideration of approximately HK$302.6 million. The Group recognised a gain on disposal of VC amounting to approximately HK$33.5 million, which represents the excess of the consideration received over the share of net assets attributable to the Group at the date of disposal.

LOSS ON DISPOSAL OF A SUBSIDIARY

A loss of approximately HK$1.8 million was recognised for the year ended 31 December 2009 as a result of the Group's disposal of 80% of the issued share capital of iAsia Online. As explained above, iAsia Online ceased to be a subsidiary of the Group as from June 2009 onwards.

IMPAIRMENT LOSS RECOGNISED IN RESPECT OF AMOUNT DUE FROM AN ASSOCIATE

During the year ended 31 December 2009, the Group performed an impairment assessment on amount due from MCR amounting to approximately HK$194.1 million and an impairment loss amounting to approximately HK$189.5 million (2008: Nil) was recorded.

IMPAIRMENT LOSS RECOGNISED IN RESPECT OF INTERESTS IN ASSOCIATES

During the year ended 31 December 2008, there was an indicator of impairment as a result of the decreases in share prices of associates, EGT and MCR. The Group then performed an impairment assessment and recognised an impairment loss of approximately HK$1,160.8 million in relation to its interests in EGT and MCR. The recoverable amounts of EGT and MCR had been determined based on the quoted bid prices of the shares of EGT and MCR as at 31 December 2008.

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

During the year ended 31 December 2009, the Group recognised an impairment loss of approximately HK$2.6 million (2008: HK$147.9 million), representing an impairment loss on listed equity security and unlisted equity investment of approximately Nil (2008: HK$139.5 million) and HK$2.6 million (2008: HK$8.4 million) respectively.

FAIR VALUE CHANGES ON DERIVATIVE FINANCIAL INSTRUMENTS

During the year ended 31 December 2009, a decrease in fair value regarding the warrants of EGT and MCR of approximately Nil (2008: HK$223.6 million) and HK$30,000 (2008: HK$4.1 million) respectively was recognised.

FAIR VALUE CHANGE ON INVESTMENT IN CONVERTIBLE LOAN NOTE

The Group's associate, Power Way, owns certain shares and convertible loan notes issued by MelcoLot ("Melcolot Shares" and "Melcolot Convertibles") as at 31 December 2007. During the previous year, Power Way distributed all such shares and convertible loan notes to its shareholders in proportion to the shareholding of each shareholder. From then on, MelcoLot became a direct associate of the Group.

During the year ended 31 December 2009, the Group recognised an increase in fair value of convertible loan note issued by MelcoLot amounting to approximately HK$75.4 million (2008: a decrease of HK$206.4 million).

UNALLOCATED CORPORATE INCOME

Unallocated corporate income consisted of amortised financial guarantee income of approximately HK$45.2 million (2008: HK$45.2 million), in relation to the joint and several financial guarantee provided by the Company and Crown Limited for the Exchangeable Bonds issued by Melco Crown SPV, net of additional provision of financial guarantee liability of approximately HK$24.4 million (2008: Nil) and a gain of extension of long term payable to Crown Limited of approximately HK$8 million (2008: HK$2.5 million).

CENTRAL ADMINISTRATIVE COSTS AND OTHER UNALLOCATED CORPORATE EXPENSES

Unallocated corporate expenses decreased by 37% from approximately HK$159.3 million in 2008 to approximately HK$100 million in 2009. The decrease was primarily due to the cost saving exercise implemented by the Group since November 2008.

FINANCE COSTS

Finance costs decreased by 7% from approximately HK$107.4 million in 2008 to approximately HK$99.4 million in 2009. The decrease was primarily due to the repayment of shareholder's loan during the year.

INCOME TAX EXPENSE

Income tax expense amounted to approximately HK$0.6 million for the year ended 31 December 2009 (2008: HK$0.9 million). This was primarily due to a reduction in the value of the deferred tax assets.

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

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

As of 31 December 2009, total assets of the Group were HK$8,537.9 million (31 December 2008: HK$10,406.1 million) which were financed by shareholders' funds of HK$6,681.8 million (31 December 2008: HK$7,899.5 million), minority interests of HK$27.3 million (31 December 2008: HK$26.0 million), current liabilities of HK$1,608.1 million (31 December 2008: HK$826.2 million), and non-current liabilities of HK$220.7 million (31 December 2008: HK$1,654.4 million). The Group's current ratio, expressed as current assets over current liabilities, was maintained at a level of 0.7 (31 December 2008: 1.1). The Group has net current liabilities of approximately HK$543.6 million as at 31 December 2009, where the convertible loan note of approximately HK$1,128.2 million will be matured in September 2010 originally. As disclosed in Note 20 to consolidated financial statements, the Company has agreed with the holder of the convertible loan note, to extend the maturity date from 4 September 2010 to 4 September 2013 with effect from 18 February 2010.

During the year ended 31 December 2009, the Group recorded a net cash outflow of HK$86.1 million (2008: outflow of HK$69 million). As of 31 December 2009, cash and cash equivalents of the Group totaled HK$153.8 million (31 December 2008: HK$239.9 million). The gearing ratio, expressed as a percentage of total borrowings (including bank borrowings, shareholder's loan, long term payable and convertible loan note) over shareholders' fund, was at a satisfactory level of 0.23 time as of 31 December 2009 (31 December 2008: 0.23 time). The Group adopts a prudent treasury policy. 88% of bank balances and cash (including bank deposits with original maturity over three months) are put in short-term fixed deposits. All borrowings, and bank balances and cash are mainly denominated in Hong Kong dollars and U.S. dollars to maintain stable exposure to foreign exchange risks. The Group's bank deposits of approximately HK$7.0 million (31 December 2008: HK$5.8 million) were pledged to a bank for the completion of a sale agreement with a customer and a bank deposit of approximately HK$0.9 million (31 December 2008: HK$0.9 million) were pledged for obtaining banking facilities for a subsidiary of the Group. As at 31 December 2008, the Group placed a bank deposit of approximately HK$972.5 million (equivalent to US$125 million) for an undertaking in connection with the loan facilities obtained by Melco Crown Entertainment. This undertaking and related bank deposit was released during the year ended 31 December 2009.

As at 31 December 2009, the Group's convertible loan note amounted to HK$1,128.2 million, which was non-interest bearing and originally due in September 2010. The maturity date of the convertible loan note has been extended to September 2013 with effect from 18 February 2010. The long term payable to Crown Limited amounted to HK$170.5 million, which was unsecured, non-interest bearing and due in May 2011. The shareholder's loan amounting to HK$250 million was fully settled during the year ended 31 December 2009. As at 31 December 2009, the Group's total available bank loan facilities from various banks amounted to HK$216.6 million (31 December 2008: HK$313 million), of which HK$66.6 million (31 December 2008: HK$83 million) was secured by pledging HK$166 million of the Group's investment properties. As at 31 December 2009, the Group utilized HK$150 million and HK$66.6 million of unsecured and secured bank loan facilities respectively (31 December 2008: unsecured HK$230 million; secured HK$83 million). Details of bank borrowings are given in Note 17 to the consolidated financial statements.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

During the year, the Group entered into the following disposals:

On 23 February 2009, Melco Technology Group Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Agreement") with Glory Stand Investments Limited (the "Purchaser") to sell certain shares of iAsia Online owned by Melco Technology Group Limited (the "Sale Shares"), representing 80% of the issued share capital of iAsia Online. An independent third party, who holds 100% of the issued share capital of the Purchaser, has given a guarantee in respect of the Purchaser's performance as prescribed in the Agreement. Upon completion of the transaction, Melco Technology Group Limited holds 20% of the issued share capital of iAsia Online. A put option is available to Melco Technology Group Limited to sell the remaining 20% of the issued share capital of iAsia Online within six months after the expiry of two years after the completion date.

On 1 May 2009, Melco Crown Entertainment completed a follow-on public offering of new shares, in the form of ADS. As from that date, the Group's interest in Melco Crown Entertainment has been decreased to 34.1%.

On 18 August 2009, Melco Crown Entertainment completed a follow-on public offering of new shares, in the form of ADS. On the completion of the follow-on public offering, the Group's ownership interest in Melco Crown Entertainment was decreased from 34.1% to 31.4%.

On 18 September 2009, Melco Financial, a wholly-owned subsidiary of the Company, and the Company entered into a Placing Agreement with Kim Eng Securities (Hong Kong) Limited ("Kim Eng"), pursuant to which Melco Financial agreed to appoint Kim Eng ("the Placing Agent") for the purpose of disposing of by way of placing by the Placing Agent on a best efforts basis all but not part of 160,930,380 VC Shares beneficially held by Melco Financial at the price of HK$1.92 per placing share, to not less than six placees. Completion of the disposal took place on 24 September 2009 and Value Convergence ceased to be an associated company of the Group.

Subsequent to the review year, on 2 February 2010, MCR announced that it has entered into definitive agreements with Wisecord Holdings Limited ("WHL") in which WHL will subscribe for 100,000,000 common shares in the capital of the MCR ("Common Shares") at a subscription price of C$0.15 for a total subscription price of C$15,000,000 (the "Private Placement"). WHL will subscribe for 49.4% of the equity interest of MCR (on a fully diluted basis). Upon completion of the Private Placement and related transaction, which is expected to occur in April 2010 upon satisfaction of all closing conditions, the Group's shareholding in MCR will be diluted down to 28.7%.

HEADCOUNT/EMPLOYEES' INFORMATION

The total number of the Group's employees was 11,019 as of 31 December 2009. Excluding the employees of associates such as Melco Crown Entertainment, MelcoLot, MCR, EGT and iAsia Online, the total number of the Group's employees becomes 299 as of 31 December 2009 (as of 31 December 2008: 388 employees). The reduction in headcount is primarily because the number of employees as of 31 December 2009 excludes the employees of iAsia Online which is now an associate, rather than a subsidiary, of the Group. Among the 299 employees, 251 are located in Hong Kong and the rest are based in Macau and the PRC. The related staff costs for the year ended 31 December 2009, including directors' emoluments, share options expenses and share award expenses, amounted to HK$125.5 million (2008: HK$169.5 million).

HUMAN RESOURCES

Melco believes that the key to success lies in its people. The Group strives to create an environment that makes people proud to be part of it. All of its employees are given equal opportunities for advancement and personal growth. The Group believes only by growing its business, it creates opportunities and delivers value to its people. Thus, the Group encourages its people to do their best at work and grow with the Group. Melco builds employees' loyalty through recognition, involvement and participation.

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

1. **Recruitment**

   Melco is an equal opportunities employer and it recruits talents with professional competence, desirable personal qualities and commitments. The Group hires the right people to shape its future. It identifies and validates talents through different recruitment exercises and regularly reviews its recruitment structure and assessment criteria. Melco also employs suitable tools to assess candidates' potential.

2. **Performance and Rewards**

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

3. **Learning & Development**

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

CONTINGENT LIABILITIES

On 5 September 2007, the Company has given an undertaking in connection with the HK$13.65 billion (US$1.75 billion) loan facilities obtained by Melco Crown Gaming (Macau) Limited ("Melco Crown Gaming"), 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, until recently, 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 recently been returned to the Company's banker and cancelled.

The Group recognised a financial guarantee liability of approximately HK$146.2 million as at 31 December 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.

FOREIGN EXCHANGE EXPOSURE

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

CORPORATE RECOGNITION

Melco's continued efforts to maintain a holistic approach to corporate governance and business ethics has been honoured with numerous accolades in 2009. The Group has been awarded the Corporate Governance Asia Annual Recognition Award by Corporate Governance Asia magazine for the fourth consecutive year, in recognition of its solid corporate governance principles and best corporate governance practices implemented.

Under the leadership of Mr. Lawrence Ho, Chairman and CEO of Melco, the Group has been recognised as one of "Hong Kong's Best Managed Companies 2009" by FinanceAsia magazine, and was also selected as one of the "Best Mid-Cap" and "Best CSR", with Mr. Ho being selected as one of "Best CEOs in Hong Kong". Additionally, the Group is the first entertainment company to receive the "Hong Kong Corporate Governance Excellence Awards 2009" by the Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance and Financial Policy, Hong Kong Baptist University.

A thought leader in corporate responsibility, the Group's vision in CSR advocacy is on evidence in its own Corporate Social Responsibility Report, published annually since 2007. Melco is one of very few listed companies in Hong Kong fosters this CSR disclosure practice. The report has earned the "Gold Award in Public Relations: Special Purpose Project" at the International Galaxy Awards 2009 and the "Gold Award in Social and Public Responsibility Report (Entertainment).

Melco's Annual Report has also garnered the "Bronze Award in Interior Design" and "Honors in Overall Annual Report" at the International ARC Awards 2009 and the "Gold Award in Annual Report (Entertainment)" by International Galaxy Awards. These awards bear testimony to the report's reader oriented design and comprehensive information disclosure that best targets the needs and interests of the Group's stakeholders.

INVESTOR RELATIONS

Melco believes in ongoing communication and operational transparency as a means to build and sustain stakeholder relations. During the year, the Group continued to actively participate in investor conferences organized by well known securities houses and maintain regular dialogue with institutional investors and analysts to keep them abreast of the Group's development. Including the two results announcements, more than 200 meetings with analysts and fund managers were held in 2009. In addition, the Group conducted various site visits to its developments projects in Macau for the investors.

Our efforts have earned us the continuous support and trust of the investors and the Group has earned numerous awards for best practices and its efforts in upholding the highest standard of corporate governance. Please refer to the "Corporate Recognition" section for more details of the awards. The Group will continue to enhance its communication with investors to foster investor relations.

CORPORATE CITIZENSHIP

As a leading socially responsible company, Melco continues its commitment in charitable cause despite the economic turmoil. Over the past year, it sponsored and participated over 30 community and charitable events despite the impact of H1N1 Influenza. In Melco, it believes that each enterprise is linked to the well-being and prosperity of the community it serves and always appreciates that corporate social responsibility (CSR) is crucial to maintain the Group's sustainable development. With an aim to contributing a better future for the communities the Group serves, Melco continuously strives to be a role model with good corporate citizenship.

Towards that end, Melco has established a Corporate Social Responsibility Committee in January 2008 to steer the CSR strategies and policies of the Group, with particular focus on three areas, namely, the Green Environment, Education and Youth Development, which pertain to Melco's concern for the sustainable growth and well-being of future generations in Asia.

GREEN ENVIRONMENT

As an advocate of progressive sustainable development, Melco has continuously worked for genuine progress in environmental protection in Hong Kong, Macau and Mainland China. Focused on "Go Green", the Group has conducted a series of Green related activities during the past year.

Melco is committed in environmental protection and has initiated the 'Greening in Melco' and promotes environmental protection program within the Group. The Group initiated printing policy to foster the green practice among the Group. In 2009, Melco set up the three-year Melco Green Fund to support the Community Chest of Hong Kong on green-related educational and research projects. The Group received an Indoor Air Quality (IAQ) Certificate (Good Class) from the IAQ Solutions Centre of the Business

Environment Council, recognising its efforts in providing employees with a greener and healthier workplace. The Group also gained the Class of Good in WasteWise Label scheme under Hong Kong Awards for Environmental Excellence in recognition of its continued efforts in reduces waste in daily operation.

2009 Event Highlights (Green Environment)

- The Community Chest Melco Green Fund – Environmental Play Project by Playright Children's Play Association
- WWF – Island House Conservation Studies Center Volunteering, Hoi Ha Marine Life Center Education Tour, Walk for Nature by WWF
- The Community Chest – Green Day
- Platinum Sponsorship of International Conference on Climate Change 2009

EDUCATION

To nurture the future generation and contribute to a better future for the community, Melco is strongly committed to enhancing education for young generation. The Group has consistently devoted considerable resources on educational projects, which support a wide range of training programs and research centers in the Greater China region to foster the improvement of education.

2009 Event Highlights (Education)

- Playright Children's Play Association Partnership Fund Project of Hospital Play Service to Hospitalised Children, Caritas Medical Centre
- World University Service of The University of Hong Kong The Sri Lanka Experience
- Hong Kong Red Cross Princess Alexandra Red Cross Residential School Music Training Programmes

YOUTH DEVELOPMENT

As a socially responsible corporation, Melco has always been concerned about all rounded development of the next generation, particularly underprivileged youth and children. The Group has continuously devoted significant funds and resources to specific programs to help rebuild self esteem and confidence in children and youth.

2009 Event Highlights (Youth Development)

- Hong Kong PHAB Association Partnership Fund Project of Being CEO Programme
- Hong Kong Red Cross 2009 Pass-it-on volunteering
- Playright Children's Play Association Christmas Gifts Express 2009 and Sports Play Day

OTHER COMMUNITY ENGAGEMENTS

With deep roots in the local community, Melco is a keen supporter of and participant in social activities. Besides sponsoring numerous charity initiatives, the Group also encourages its employee to reach out and contribute to the welfare of the communities within which they live and work, to maintain harmony between corporations and society. Genuine in employee's conviction, the Melco Volunteer Incentive Scheme was launched in 2009 as a means of encouraging and rewarding members of its workforce with an extra day off when they participate in voluntary events organised by the Group.

2009 Event Highlights (Community)

- Hong Kong Philharmonic Orchestra Supporting Sponsor of 2008/09 HKPO China Tour Season
- The Community Chest Charity Golf Day, PTU Open Day, Walk for Million 2008/09, Charity Walk in Celebration of the PRC's 60th Anniversary
- Hong Kong PHAB Association A Fabulous Macau Day Trip for Carers
- Outward Bound Corporate Challenge
- ORBIS Kid's Sight-saving Project
- Taiwan Typhoon Disaster Relief initiatives

Upholding a caring culture, Melco has been granted Caring Company logo by the Hong Kong Council of Social Service for 5th consecutive years since 2005 and has been a Double Diamond Corporate Member of the WWF Hong Kong since 2006. The Group has also received the President's Award from The Community Chest for its continuous effort to help the underprivileged since 2006. Since 2008, the Group also received a Certificate with Merit in the Brand Conscience Award from the Hong Kong Institute of Marketing.

In 2009, Melco received the CSR Advocate Mark in HKQAA-HSBC CSR Index 2009 presented by Hong Kong Quality Assurance Agency (HKQAA), which is one of the leading conformity assessment bodies in Hong Kong to assist industry and commerce in the development of management systems. The index indicated that Melco has implemented mature system to manage CSR related issue.

For Melco's CSR engagements and progress, please refer to the Melco 2009 CSR Report or visit website www.melco-group.com.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: Nil).

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with the code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices (the "HKSE Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the financial year ended 31 December 2009 with two deviations mentioned below:

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

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

PRELIMINARY ANNOUNCEMENT OF THE RESULTS AGREED BY AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2009 as set out in the preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

AUDIT COMMITTEE

An Audit Committee has been established by the Company to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee comprises a Non-executive Director and two Independent Non-executive Directors of the Company. The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2009.

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

During the year ended 31 December 2009, the Company had not redeemed any of its shares and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities.

BOARD OF DIRECTORS

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

By Order of the Board of
Melco International Development Limited
Ho, Lawrence Yau Lung
Chairman and Chief Executive Officer

Hong Kong, 30 March 2010