THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Melco

Melco International Development Limited

(Incorporated in Hong Kong with limited liability)

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

(Stock Code: 200)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF A SUBSIDIARY

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

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

A letter from the board of directors of the Company is set out on pages 5 to 12 of this circular. A letter from the independent board committee of the Company (the **"Independent Board Committee"**) containing its advice and recommendation to the independent shareholders of the Company (the **"Independent Shareholders"**) is set out on page 13 of this circular. A letter from Cinda International Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 14 to 22 of this circular.

A notice convening the extraordinary general meeting of the Company (the **"EGM"**) to be held at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong on Tuesday, 22 June 2010 at 10:45 a.m. (or so soon thereafter as the annual general meeting of the Company convened for the same place and date at 10:30 a.m. shall have been concluded or adjourned) is set out on pages 152 to 153 of this circular. A form of proxy for the EGM is enclosed. Whether or not you intend to attend and vote at the EGM or any adjourned meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the registered office of the Company at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

4 June 2010

CONTENTS

In this circular, unless the context otherwise requires, terms used herein shall have the following meanings:

"Announcement"	the announcement of the Company dated 22 April 2010 in relation to the Disposal
"Adjusted NAV"	the net asset value of Elixir as at 28 February 2010 as adjusted by: (i) repayment of indebtedness of Elixir to the Remaining Group of HK$40,000,000; (ii) waiving of the amounts due from Elixir to the Remaining Group in the sum of HK$249,949,419; (iii) waiving of the amounts due from the Remaining Group to Elixir in the amount of HK$6,221,859; and (iv) assignment of an amount due from EGT, an associate of the Company, to Elixir in the sum of HK$73,670,585 to the Vendor
"Agreement"	the sale and purchase agreement dated 19 April 2010 entered into between the Vendor, the Purchaser and Elixir in respect of the Disposal
"Bad Debts"	the sums of (i) approximately HK$1.36 million due from a main contractor being retention money held under a number of ICT Contracts performed by Elixir; and (ii) approximately HK$8 million due from a number of debtors being money outstanding under various ICT Contracts which are treated as bad debts in the accounts of Elixir for the year ended 31 December 2009
"Board"	the board of Directors
"Business Day"	a day (other than Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"C$"	Canadian dollars, the lawful currency of Canada
"CCTV"	closed circuit television
"Cinda" or "Independent Financial Adviser"	Cinda International Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder

"Company"	Melco International Development Limited, a company incorporated in Hong Kong with limited liability, the securities of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the sale and purchase of the Sale Quota in accordance with the terms and conditions of the Agreement
"Completion Date"	the date falling seven (7) Business Days after the fulfillment of all the conditions precedent (or such earlier or later date as the parties to the Agreement may agree) as set out in the Agreement
"connected person"	has the same meaning as ascribed to it in the Listing Rules
"Consideration"	the consideration of HK$371,029 payable by the Purchaser to the Vendor pursuant to the Agreement
"Director(s)"	director(s) of the Company
"Disposal"	the disposal of the Sale Quota by the Vendor as contemplated under the Agreement
"EGM"	an extraordinary general meeting of the Company convened to be held on Tuesday, 22 June 2010 at 10:45 a.m. (or so soon thereafter as the annual general meeting of the Company convened for the same place and date at 10:30 a.m. shall have been concluded or adjourned) for the purpose of considering, and if thought fit, approving the Agreement and the transactions contemplated thereunder
"EGT"	Elixir Gaming Technologies, Inc., a company listed on the New York Stock Exchange (NYSE Amex: EGT), being the 39.5%-owned associate of the Group
"Elixir"	Elixir International Limited, a company incorporated in Macau with limited liability and an indirect wholly-owned subsidiary of the Company
"Elixir's ICT Services"	the services of designing, engineering, managing and implementing comprehensive information, communications and technologies disciplines for property development, with emphasis on hotel and casino building infrastructures, undertaken by Elixir
"Elixir's Trading Business"	the business of trading of gaming products, consisting mainly of electronic gaming machines previously carried on by Elixir until November 2008

"GEM"	the Growth Enterprise Market of the Stock Exchange
"Glory Stand"	Glory Stand Investments Limited, an Independent Third Party
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"iAsia Online"	iAsia Online Systems Limited, a company incorporated in the British Virgin Islands, being the 20.0%-owned associate of the Group
"ICT Contract(s)"	information, communication and technology contract(s)
"Independent Board Committee"	an independent committee of the Board comprising all the independent non-executive Directors, namely Sir Roger Lobo, Dr. Lo Ka Shui and Mr. Sham Sui Leung, Daniel, established to advise the Independent Shareholders in connection with the Agreement and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders other than the Purchaser and its associates (as defined in the Listing Rules)
"Independent Third Party(ies)"	person(s) who is/are third party(ies) independent of the Company and its connected persons
"Latest Practicable Date"	31 May 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"MCR"	Melco China Resorts (Holding) Limited, a company listed on the TSX Venture Exchange of Canada, being the 28.7%-owned associate of the Group
"MelcoLot"	MelcoLot Limited, a company listed on the GEM, being the 11%-owned associate of the Group
"Melco Crown Entertainment"	Melco Crown Entertainment Limited, a company listed on the Nasdaq Global Select Market, being the 33.4%-owned associate of the Group
"Melco Crown Gaming"	Melco Crown Gaming (Macau) Limited (formerly known as Melco PBL Gaming (Macau) Limited), a subsidiary of Melco Crown Entertainment

"Melco Financial"	Melco Financial Group Limited, a wholly-owned subsidiary of the Company
"Melco Technology"	Melco Technology Group Limited, a wholly-owned subsidiary of the Company
"MOP$"	Macau Pataca, the lawful currency of Macau
"Mr. Leong"	Leong Van Tat, Chief Operating Officer of Elixir
"Mr. Liu"	Liu Man Fai, Danny, Chief Financial Officer of Elixir
"PRC"	People's Republic of China
"Purchaser"	Brilliant Light Holding Company Limited, a company incorporated in Macau with limited liability, which is jointly held and owned by Mr. Leong and Mr. Liu
"Remaining Group"	the Company and its subsidiaries, excluding Elixir
"Sale Quota"	the entire issued capital of MOP$500,000 of Elixir, which is beneficially owned by the Vendor prior to Completion
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	share(s) of HK$0.50 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S."	The United States of America
"US$"	U.S. dollars, the lawful currency of the U.S.
"VC"	Value Convergence Holdings Limited, a company incorporated in Hong Kong with limited liability, the securities of which are listed on the Main Board of the Stock Exchange
"Vendor" or "EGL"	Elixir Group Limited, a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of the Company
"%"	per cent.

For the purpose of this circular and for illustrative purposes only, unless otherwise specified, amounts denominated in US$ have been translated into HK$ at the exchange rate of US$1.00 = HK$7.78.

Melco International Development Limited

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

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

Non-executive Director:
Mr. Ng Ching Wo

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

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

4 June 2010

To the Shareholders

Dear Sir and Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF A SUBSIDIARY

INTRODUCTION

Reference is made to the Announcement, in which it was announced that on 19 April 2010, the Vendor, the Purchaser and Elixir entered into the Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Quota at a consideration of HK$371,029 payable in cash upon Completion.

The purpose of this circular is to set out, among other things: (i) further information on the Agreement and the transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder; (iii) a letter of advice from Cinda to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder; and (iv) a notice convening the EGM at which an ordinary resolution will be proposed to consider and if thought fit, approve (by way of poll) the Agreement and the transactions contemplated thereunder.

THE AGREEMENT

Date: 19 April 2010 (after trading hours)

Parties:
i. the Vendor;
ii. the Purchaser; and
iii. Elixir

To the best information, knowledge and belief of the Directors, the Purchaser is a company jointly owned by Mr. Leong and Mr. Liu who are currently the chief executives of Elixir. As such, the Purchaser is a connected person of the Company.

Assets to be disposed of

The Sale Quota, being the entire share capital of Elixir which is beneficially owned by the Vendor.

Upon Completion, the Company will cease to have any interest in Elixir. Elixir will cease to be an indirect subsidiary of the Company and its financial results will not be consolidated with that of the Remaining Group.

For the avoidance of doubt, the Disposal is in relation to the disposal by the Company of its entire equity interest in Elixir, an indirect wholly-owned subsidiary of the Company, and not in relation to its interest in the 39.5%-owned associate of the Company, EGT, whose shares are listed on the New York Stock Exchange (NYSE Amex: EGT).

Consideration

The Consideration shall be settled by the Purchaser to the Vendor (or as it may direct) in cash upon Completion.

The Consideration was determined after arm's length negotiations between the parties with reference to the Adjusted NAV of Elixir of HK$371,029 as at 28 February 2010. Prior to the Adjustments (as defined below), Elixir has net liabilities of approximately HK$169.7 million as at 28 February 2010. The Adjusted NAV has been derived from (i) repayment of indebtedness of Elixir to the Remaining Group of HK$40,000,000; (ii) waiving of the amounts due from Elixir to the Remaining Group in the sum of HK$249,949,419; (iii) waiving of the amounts due from the Remaining Group to Elixir in the amount of HK$6,221,859; and (iv) assignment of an amount due from EGT, an associate of the Company, to Elixir in the sum of HK$73,670,585 to the Vendor (collectively the "**Adjustments**").

Since items (ii) to (iv) as stated above were related principally to Elixir's Trading Business, which ceased after November 2008 and is no longer part of the business of Elixir (details are given under the paragraph headed "Information on the Vendor, the Group, the Purchaser and Elixir" below), the Board considers that it is fair and reasonable for the Company and Elixir to waive items (ii) to (iii) above and for Elixir to assign item (iv) above to the Vendor prior to the Disposal.

Adjustment to the Consideration

Pursuant to the Agreement, the Vendor and the Purchaser agreed that the cut-off date for the accounts of Elixir for the purpose of the Disposal shall be 31 March 2010. As such, the Vendor and the Purchaser shall on or before Completion:

(a) arrange for management accounts of Elixir to be prepared for the period ended 31 March 2010, the form and substance of which shall be satisfied and agreed by the parties of the Agreement;

(b) compensate the other for the shortfall or excess between the adjusted net asset value of Elixir as at 31 March 2010 and the Consideration in cash; and/or

(c) reimburse the other against payments made by the other or payments which ought to be borne by it during the period from 1 April 2010 to the Completion Date, including but not limited to, the Purchaser's share of rent and management fee of the office premises of Elixir and the payment for the car park used by Elixir in Macau as set out in the Agreement.

With reference to the management accounts of Elixir for the period ended 31 March 2010, the adjusted net asset value amounted to HK$352,450, which is HK$18,579 below the Consideration. The Vendor will compensate the Purchaser for the aforesaid shortfall of HK$18,579 in cash upon Completion.

CONDITIONS PRECEDENT

Completion is conditional upon and subject to the fulfillment of the following conditions precedent:

(a) the passing by the Independent Shareholders at the EGM of the ordinary resolution(s) to be proposed for approving the Agreement and the transactions contemplated thereunder; and

(b) the obtaining of all necessary consents, approvals and authorisations in respect of the sale of the Sale Quota by the Vendor and/or the Company (in addition to condition (a) above).

If the above conditions precedent have not been satisfied at or before 4:00 p.m. on 31 July 2010 (or such later time as the Vendor and the Purchaser may agree), the Agreement shall cease and determine and neither parties of the Agreement shall have any obligations and liabilities towards the others thereunder, save for any antecedent breach of the terms of the Agreement.

As at the Latest Practicable Date, condition precedent (a) above has yet to be fulfilled.

COMPLETION

Completion shall take place on the Completion Date, i.e. the date falling seven (7) Business Days after the fulfillment of all the conditions precedent (or such earlier or later date as the parties thereto may agree) as set out in the Agreement.

POST-COMPLETION

After Completion:

(a) Elixir shall and the Purchaser shall procure that Elixir will:

(i) provide, without cost, such assistance as the Vendor may require in connection with the recovery of the Bad Debts, where 80% of the amounts recovered will belong to the Vendor and the remaining 20% will be given to the Purchaser in return for its assistance in recovering such amounts; and

(ii) provide, without cost, such assistance as the Vendor may require in respect of dealing with and answering queries from government authorities regarding transactions of Elixir prior to the Completion Date, in particular in connection with the resolution of tax issues as set out in the Agreement; and

(b) the Vendor shall arrange for two guarantees both dated 21 October 2008 given by Melco Technology to Melco Crown (COD) Developments Limited (a subsidiary of the 33.4%-owned associate of the Company, the "**Beneficiary**") in respect of two contracts both dated 15 July 2008 entered into between Elixir and the Beneficiary for CCTV system and merged package comprising structured cabling, data network infrastructure and voice over internet protocol systems in the City of Dreams at Cotai, Macau to be maintained and kept into force until 28 September 2010. The guarantees were required by the Beneficiary in connection with the performance of the said contracts until the end of the defects liability period, which expires on 28 September 2010. The guarantees were given by Melco Technology, which is the holding company of the Vendor and Elixir. As the contracts were in substance performed before the Disposal, the Purchaser does not propose to replace the guarantees and request the Vendor to arrange for the guarantees to be maintained until they are no longer required.

REASONS FOR THE DISPOSAL

The Company has disposed of 80% of the issued share capital of iAsia Online and 43.2% of the issued share capital of VC in 2009. The Board is of the view that, through the Disposal, the Group can further streamline and focus its businesses on the leisure and entertainment segment. In addition, the major business of Elixir involves the provision of (1) cable supply and installation of sound video and communication system; (2) CCTV system; (3) combined audio video package; and (4) merged package comprising structural cabling, data network infrastructure and voice over internal protocol systems to casinos in Macau. In light of the recent restriction imposed by the Macau government in relation to the maximum number of gaming tables, the Board considers that there will be a significant adverse impact on the demand of the afore-mentioned services and thus the potential growth of Elixir would be limited. Taking into consideration (i) the fact that the operating environment remains uncertain in the aftermath of the global financial crisis; (ii) the capital-intensive nature of Elixir's business; (iii) the net liabilities of Elixir as at 28 February 2010; and (iv) the limited growth for the businesses of Elixir, the Board considers that the Disposal represents a good opportunity for the Company to dispose of Elixir and focus its resources in the leisure and entertainment segment in order to maintain its competitiveness and achieve the greatest returns for the Shareholders.

The Directors are of the view that the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and that the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE VENDOR, THE GROUP, THE PURCHASER AND ELIXIR

The Vendor is a wholly-owned subsidiary of the Company. The Company is an investment holding company and the Group is principally engaged in leisure, gaming and entertainment and other investments.

The Purchaser is a newly incorporated company with limited liability which is jointly held and owned by Mr. Leong and Mr. Liu, the principal business activity of which is to act as an investment holding vehicle.

Until November 2008, Elixir was engaged in (a) Elixir's Trading Business and (b) the provision of Elixir's ICT Services. After November 2008, Elixir's Trading Business ceased. The current business of Elixir comprises mainly the provision of Elixir's ICT Services.

INFORMATION ON THE REMAINING GROUP

Upon Completion, the Remaining Group will continue to engage in restaurant business and property investments in Hong Kong and Macau. The Remaining Group will also continue to focus on the leisure, gaming and entertainment business through its investments in the associates. The Board considers that the Disposal is in line with the Company's divestment strategy for non-gaming investments and that the Disposal would enable the Group to further streamline its businesses and focus its resources in the leisure, gaming and entertainment segment in order to maintain its competitiveness and achieve the greatest returns for the Shareholders.

FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

Upon Completion, the Remaining Group will continue to engage in restaurant business and property investments in Hong Kong and Macau. The Remaining Group will also continue to focus on the leisure, gaming and entertainment business through its investments in the associates.

The Board considers that the Disposal is in line with the Company's divestment strategy for non-gaming investments and that the Disposal would enable the Group to further streamline its businesses and focus its resources in the leisure, gaming and entertainment segment in order to maintain its competitiveness and achieve the greatest returns for the Shareholders. The Company will continue to identify any investment opportunities to broaden the income base of the Remaining Group. Moreover, the Board will consistently monitor the financial position of the Remaining Group and will consider raising funds by suitable means when opportunities for the operations and development of the Remaining Group arise in the future.

FINANCIAL INFORMATION OF ELIXIR

Set out below is a summary of the audited financial statements of Elixir for the financial year ended 31 December 2008 and the management accounts of Elixir for the financial year ended 31 December 2009 which have been prepared in accordance with generally accepted accounting principles in Hong Kong:

(HK$'000)	**For the financial year ended 31 December**	
	2009	**2008**
Revenue	560,910	459,672
Net profit/(loss) before taxation	2,332	(253,630)
Net profit/(loss) after taxation	2,332	(253,641)

USE OF PROCEEDS

The Directors expect that the gross proceeds from the Disposal will amount to HK$371,029 and no net proceeds is expected to be recorded after taking into account professional fees and other expenses to be incurred as a result of the Disposal.

FINANCIAL EFFECTS OF THE DISPOSAL

The Consideration was determined after arm's length negotiations between the parties with reference to the Adjusted NAV of Elixir of HK$371,029 as at 28 February 2010. As stated in the Announcement, it was then expected that the Group would record a gain on the Disposal of approximately HK$6.5 million as a result of the adjustments for the unrealized profit on sales to Melco Crown Entertainment from Elixir of approximately HK$10.6 million and the de-recognition of goodwill of Elixir of approximately HK$4.1 million, based on the unaudited management accounts of the Group as at 28 February 2010 and assuming that the Disposal had taken place on 1 March 2010.

On the other hand, according to the unaudited pro forma financial information of the Remaining Group as set out in Appendix II to this circular, based on the audited financial information of the Group as at 31 December 2009 and assuming that the Disposal had taken place on 1 January 2010, the Group would have recorded an estimated loss on the Disposal of approximately HK$12.7 million. Such loss on Disposal (assuming that the Disposal had taken place on 1 January 2010), when compared with the aforesaid gain on Disposal (assuming that the Disposal had taken place on 1 March 2010), was primarily due to: (i) the net loss incurred by Elixir in the amount of approximately HK$8.5 million during the two months ended 28 February 2010, such that the net liabilities of Elixir of approximately HK$161.1 million as at 31 December 2009 were less than those of approximately HK$169.7 million as at 28 February 2010; and (ii) the deferral in recognising the unrealized profit on sales to Melco Crown Entertainment, an associate of the Group, from Elixir of approximately HK$10.6 million over the remaining lives of the goods sold to Melco Crown Entertainment under a prudent approach, such that such profit could not be recognized by the Group immediately upon the Disposal. Since Melco Crown Entertainment is an associate of the Group and its accounts are equity accounted for in the accounts of the Group, such profit will be realized over the remaining lives of the goods sold to Melco Crown Entertainment.

According to the unaudited pro forma financial information of the Remaining Group as set out in Appendix II to this circular, assuming the Disposal had taken place on 1 January 2009, after the Disposal, the loss for the year attributable to owners of the Company will increase from approximately HK$1,449.7 million to approximately HK$1,467.1 million. Assuming the Disposal had taken place on 31 December 2009, the total assets of the Remaining Group will decrease from approximately HK$8,537.9 million to approximately HK$8,399.3 million. The total liabilities of the Group will decrease from approximately HK$1,828.9 million to approximately HK$1,702.9 million. The net assets of the Remaining Group will therefore decrease from approximately HK$6,709.1 million to approximately HK$6,696.4 million.

Having taken into account the aforesaid accounting treatment on the recognition of the unrealized profit on the sales to Melco Crown Entertainment, the loss recorded by Elixir for the two months ended 28 February 2010 and the reasons for the Disposal, the Directors are of the view that that the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and that the Disposal is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the revenue ratio (as defined in the Listing Rules) of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal of the Company under Rule 14.08 of the Listing Rules and hence is subject to notification, publication and shareholders' approval requirements under the Listing Rules. The Purchaser, a company jointly owned by Mr. Leong and Mr. Liu who are currently the chief executives of Elixir, is a connected person of the Company. Accordingly, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Disposal is subject to the Independent Shareholders' approval at the EGM where no Shareholder other than the Purchaser and its associates (as defined in the Listing Rules) (which in aggregate held less than 1% of the issued share capital of the Company as at the Latest Practicable Date) shall abstain from voting on the ordinary resolution to be proposed for approving the Agreement and the transactions contemplated thereunder at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Disposal, in particular as to whether or not the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether the Disposal is in the interests of the Company and the Independent Shareholders as a whole. Cinda has been appointed (with the approval of the Independent Board Committee) as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder.

EGM

Set out on pages 152 to 153 of this circular is a notice convening the EGM to be held at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong on Tuesday, 22 June 2010 at 10:45 a.m. (or so soon thereafter as the annual general meeting of the Company convened for the same place and date at 10:30 a.m. shall have been concluded or adjourned), at which an ordinary resolution will be proposed and, if thought fit, passed by the Independent Shareholders by way of poll to approve the Agreement and the transactions contemplated thereunder.

A form of proxy for use by the Independent Shareholders at the EGM is enclosed. Whether or not you intend to attend and vote at the EGM or any adjourned meeting in person, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon to the registered office of the Company at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

RECOMMENDATION

The Board (including the independent non-executive Directors) is of the view that the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and that the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders as set out on page 13 of this circular and the letter from Cinda to the Independent Board Committee and the Independent Shareholders set out on pages 14 to 22 of this circular in respect of the Agreement. The Independent Board Committee, having taking into account the advice from Cinda, considers that the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned and that the Disposal is in the interests of the Company and the Shareholders as a whole.

ADDITIONAL INFORMATION

Please refer to the additional information as set out in the appendices to this circular.

Yours faithfully,
By order of the Board of
Melco International Development Limited
Ho, Lawrence Yau Lung
Chairman & Chief Executive Officer

Melco International Development Limited

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

38th Floor
The Centrium
60 Wyndham Street
Central
Hong Kong

4 June 2010

To the Independent Shareholders

Dear Sir and Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF A SUBSIDIARY

We have been appointed as members of the Independent Board Committee to advise you in respect of the Agreement and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" in the circular of the Company dated 4 June 2010 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We wish to draw your attention to the letter of advice from Cinda as set out on pages 14 to 22 of the Circular, which contains its advice and recommendation to us as to whether the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether they are in the interests of the Company and the Shareholders as a whole, as well as the principal factors and reasons for its advice and recommendation. We also wish to draw your attention to the "Letter from the Board" as set out on pages 5 to 12 of the Circular.

Having considered, amongst other matters, the factors and reasons considered by, and the opinion, advice and recommendation of, Cinda, all as set out in its aforementioned letter of advice, we are of the opinion that the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned and that the Disposal is in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

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

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

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

4 June 2010

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

Dear Sir/Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF A SUBSIDIARY

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal, details of which are contained in the Letter from the Board ("the **Letter from the Board**") contained in the circular (the "**Circular**") of the Company to the Shareholders dated 4 June 2010, of which this letter forms part. Terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

On 19 April 2010, the Vendor (a wholly-owned subsidiary of the Company), the Purchaser and Elixir entered into the Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Quota at a consideration of HK$371,029. Upon Completion, Elixir will cease to be an indirect subsidiary of the Company and its financial results will not be consolidated with that of the Remaining Group.

As the revenue ratio (as defined in the Listing Rules) of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal of the Company under Rule 14.08 of the Listing Rules and hence is subject to notification, publication and shareholders' approval requirements under the Listing Rules. The Purchaser, a company jointly owned by Mr. Leong and Mr. Liu who are currently the chief executives of Elixir, is a connected person of the Company. Accordingly, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Disposal is subject to the Independent Shareholders' approval at the EGM where no Shareholder other than the Purchaser and its associates (as defined in the Listing Rules) shall abstain from voting on the ordinary resolution(s) to be proposed for approving the Agreement and the transactions contemplated thereunder at the EGM.

The Independent Board Committee comprising Sir Roger Lobo, Dr. Lo Ka Shui and Mr. Sham Sui Leung, Daniel, all being the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Disposal and as to whether or not the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole.

BASIS OF OUR ADVICE

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

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background of the Group and Elixir

The Group

The Group is principally engaged in leisure, entertainment, gaming and related business.

Set out below is a summary of the financial performance of the Group by business segment for the three years ended 31 December 2007, 2008 and 2009 as extracted from "Financial information of the Group" contained in Appendix I to the Circular:

	For the year ended 31 December					
	2009		**2008**		**2007**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Revenue						
Leisure, gaming and entertainment	87,549	12.4	103,260	15.0	125,573	15.6
Technology	580,655	81.8	512,832	74.2	573,496	71.3
Property and other investments	41,349	5.8	74,770	10.8	105,826	13.1
Total	709,553	100.0	690,862	100.0	804,895	100.0
Profit/(loss) for the year	(1,448,416)		(2,353,214)		2,668,663	
Attributable to:						
Equity holders of the Company	(1,449,685)		(2,356,819)		2,690,639	
Minority interests	1,269		3,605		(21,976)	

As illustrated in the table above, revenue of the Group during the three years ended 31 December 2009 were mainly generated from the technology business segment.

As mentioned in the annual report of the Company for the year ended 31 December 2009, the Group has sharpened its competitive edge and strengthened its core leisure, gaming and entertainment businesses in Macau by divesting some of its non-core businesses during the year 2009. In June 2009, the Group disposed of 80% of the issued share capital of iAsia Online Systems Limited, an associate of the Company, who is principally engaged in the businesses of (i) the provision of online trading and settlement software in Hong Kong and Macau; (ii) the provision of hardware and software goods and services and server co-location service; and (iii) the provision of stock market information and financial analytical tools through the internet and software solutions to financial institutions. In addition, the Group is no longer engaged in any business related to financial services in Hong Kong and Macau as the Group divested all interest of VC by way of placing in September 2009 and accordingly VC ceased to be an associated company of the Group. The Directors consider that the disposal of VC further validated the Group's efforts to divest its peripheral businesses in order to focus on its core businesses in gaming and entertainment in Macau and this strategic move enabled the Group to achieve several important milestones throughout 2009.

Elixir

As stated in the Letter from the Board, until November 2008, Elixir was engaged in (a) trading of gaming products consisting mainly of electronic gaming machines ("**Elixir's Trading Business**"); and (b) designing, engineering, managing and implementing comprehensive information, communications and technologies disciplines for property development with emphasis on hotel and casino building infrastructures ("**Elixir's ICT Services**"). After November 2008, Elixir's Trading Business ceased. The current business of Elixir comprises mainly Elixir's ICT Services.

Set out below is a summary of the audited financial statements of Elixir for the financial year ended 31 December 2008 and the management accounts of Elixir for the financial year ended 31 December 2009 which have been prepared in accordance with generally accepted accounting principles in Hong Kong:

(HK$'000)	**For the financial year ended 31 December**	
	2009	**2008**
Revenue	560,910	459,672
Net profit/(loss) before taxation	2,332	(253,630)
Net profit/(loss) after taxation	2,332	(253,641)

As depicted by the above table, Elixir showed a turnaround in earnings in the year ended 31 December 2009 after a substantial loss reported in the year ended 31 December 2008. As advised by the management of the Company, the substantial improvement in the Elixir's profitability for the year ended 31 December 2009 was mainly due to the change in business strategies of Elixir during the year 2009 as Elixir has adopted and implemented certain cost saving strategies by closing down some of its internal departments, which resulted in reduction of administrative expenses by approximately 62.0% as compared with the respective period in 2008 and a one-time inventory write-off amounting to approximately HK$220 million in year 2008. We note from the management accounts of Elixir for the year ended 31 December 2009 that Elixir recorded approximately HK$22.8 million other income in year 2009 which mainly comprised of (i) discount on early repayment of account payable of approximately HK$18.3 million; and (ii) other interest income from related company and customers of approximately HK$4.0 million while Elixir recorded approximately HK$4.1 million other income in year 2008 which comprised of other interest income from related company and customers of approximately HK$3.8 million. Given that the level of other income of Elixir in year 2009 is substantially higher than the net profit of Elixir in year 2009 and the substantial loss of Elixir recorded in year 2008, we are of the view that the principal business of Elixir may not be attractive.

2. Reasons for the Disposal

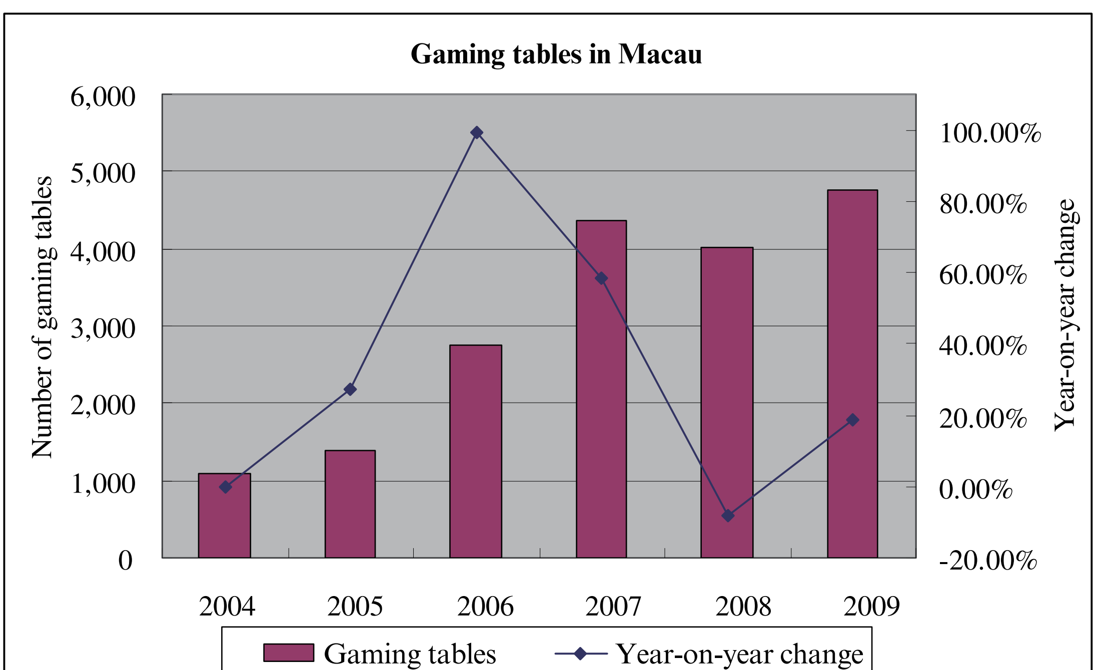
The Group sharpened its competitive edge and strengthened its core leisure, gaming and entertainment businesses in Macau by divesting some of its non-core businesses in 2009. As stated in the Letter from the Board, the Company has disposed of 80% of the issued share capital of iAsia Online Systems Limited (which was principally engaged in the provision of online trading software in Hong Kong) and 43.2% of the issued share capital of VC (which was principally engaged in the provision of financial and investment service) in June 2009 and September 2009 respectively. The Board is of the view that through the Disposal, the Group can further streamline and focus its businesses on the leisure, gaming and entertainment segment. We understand from the Company that the Group will continue to strengthen its business focus on leisure, gaming and entertainment in Macau. Given Elixir is principally engaged in the provision of technology supporting services (including design, development and supply of gaming technologies) to casinos, we concur with the Directors that the Disposal is in line with the Company's divestment strategy for non-gaming investments.

In addition, as advised by the Company, Elixir's business requires intensive capital and according to the management accounts of Elixir for the two months ended 28 February 2010, Elixir was in a net liabilities position of approximately HK$169.7 million as at 28 February 2010. The Board considers that the Disposal would enable the Group to further streamline its businesses and focus its resources in the leisure, gaming and entertainment segment in order to maintain its competitiveness and achieve the greatest returns for the Shareholders. According to the annual report of the Company for the year ended 31 December 2009, the Group operates its core gaming business in Macau through its associate, Melco Crown Entertainment Limited ("Melco Crown Entertainment"). Melco Crown Entertainment's flagship property, City of Dreams, opened in June 2009, signifying the beginning of a new era for the entertainment industry in Asia. The Group will continue to enhance its 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. 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, the Directors consider the Group's core leisure, gaming and entertainment businesses are on a positive growth trajectory. We are of the view that the continuing operation of Elixir will divert the Group's resources in its core leisure, gaming and entertainment businesses while the Disposal would allow the Group to allocate more resources into its core business.

Moreover, we understand from our discussion with the Company that the Macau government has recently imposed restriction in relation to the maximum number of gaming tables. In March 2010, the Macau government announced that the total number of gaming tables in Macau would be capped at 5,500 in the next three years. Given the major business of Elixir involves the provision of (1) cable supply and installation of sound video and communication system, (2) CCTV system, (3) combined audio video package; and (4) merged package comprising structural cabling, data network infrastructure and voice over internal protocol systems to casinos in Macau, and in addition the afore-mentioned services mainly focus on the early stage of construction or reconstruction of casinos, the Board considers that there will be a significant adverse impact on the demand of the afore-mentioned services and thus the potential growth of Elixir would be limited. We have been further advised by the Company that despite the Macau government has the intention to cap the number of gaming tables operating in Macau at 5,500 for the next three years until 2013, and in addition the full details of the implementation of such policy have not been revealed, the Group is not expected to feel a significant impact on the Group's leisure, gaming and entertainment business taking into account that (i) the gaming tables currently operating at the City of Dreams have already been authorized for operation as one of the six gaming operators (i.e. one of the three subconcessionaires) in Macau by the Gaming Inspection and Coordination Bureau of Macau SAR; and (ii) the restriction to the maximum number of gaming tables will have positive impacts on the Group's core business as it will reduce the potential competition of its Macau gaming business in future. Based on the above, we are of the view that the recent proposed restriction in relation to the maximum number of gaming tables in Macau for the next three years may affect the business prospects of Elixir to a certain extent. Therefore, we concur with the Directors' view that the Disposal represents a good opportunity of the Group to dispose of Elixir and focus the resources in its leisure and entertainment segment in order to maintain its competitiveness and achieve the greatest returns for the Shareholders.

In addition, we note from the figures released by the Gaming Inspection and Coordination Bureau of Macau that, as of 31 December 2009, there were approximately 4,770 gaming tables in Macau, compared to approximately 1,092 gaming tables as of 31 December 2004, representing a compound annual growth rate of 34.3%. The following table and chart demonstrate the year-on-year change in the number of gaming tables in Macau for the periods indicated:

	As of December 31					
	2004	**2005**	**2006**	**2007**	**2008**	**2009**
Gaming tables	1,092	1,388	2,762	4,375	4,017	4,770
Year-on-year change	–	27.1%	99.0%	58.4%	(8.2)%	18.7%



Taken into account that (i) the Disposal is in line with the Company's divestment strategy for non-gaming investments; (ii) the continuing operation of Elixir will divert the Group's resources from its core leisure, gaming and entertainment businesses while the Disposal would allow the Group to put more resources into its core business; (iii) the business prospect of Elixir is uncertain due to the limited growth potential for the businesses of Elixir as a result of the recent restriction imposed by the Macau government in relation to the maximum number of gaming tables to 5,500 in the next three years; and (iv) the fluctuation in the growth rate of gaming tables in Macau from 2004 to 2009, we consider that the Disposal is fair and reasonable and is in the interest of the Group and its Shareholders as a whole.

3. The Consideration

The Consideration of HK$371,029 for the Disposal shall be settled by the Purchaser to the Vendor (or as it may direct) in cash upon Completion. As set out in the Letter from the Board, the Consideration was determined after arm's length negotiations between the parties with reference to the Adjusted NAV of Elixir of HK$371,029 as at 28 February 2010. Prior to the Adjustments (as defined below), Elixir has net liabilities of approximately HK$169.7 million as at 28 February 2010. The Adjusted NAV has been arrived at after taking into account (i) repayment of indebtedness of Elixir to the Remaining Group of HK$40,000,000; (ii) waiving of the amounts due from Elixir to the Remaining Group in the sum of HK$249,949,419; (iii) waiving of the amounts due from the Remaining Group to Elixir in the amount of HK$6,221,859; and (iv) assignment of an amount due from EGT, an associate of the Company, to Elixir in the sum of HK$73,670,585 from Elixir to the Vendor (collectively the "**Adjustments**").

Since items (ii) to (iv) as stated above were related principally to Elixir's Trading Business, which ceased after November 2008 and is no longer part of the business of Elixir (details of which can be found under the paragraph headed "Information on the Vendor, the Group, the Purchaser and Elixir" in the Letter from the Board), the Board considers that it is fair and reasonable for the Company and Elixir to waive items (ii) to (iii) and for Elixir to assign item (iv) to the Vendor prior to the Disposal. Considering the reasons stated above together with the repayment of item (i) will not have impact to the net asset value and the waiving of items (ii) and (iii) and the assignment of item (iv) will streamline the settlement process of the Disposal, we are of the view that the Adjustments are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

In assessing the fairness and reasonableness of the Consideration, we have attempted to identify companies listed on the Stock Exchange the principal businesses of which comprise designing, engineering, managing and implementing comprehensive information, communications and technologies disciplines for property development with emphasis on hotel and casino building infrastructures business. However, we are unable to identify any such companies listed in the Stock Exchange which may be comparable to Elixir in terms of principal business. Accordingly, we focus on the financial performance of Elixir to consider the fairness and reasonableness of the Consideration.

We note that the Consideration of HK$371,029 is significantly less than the net profit after taxation of Elixir of approximately HK$2.3 million for the year ended 31 December 2009. Nevertheless, considering the reliance on other income by Elixir in year 2009 as stated in the subsection headed "Background of the Group and Elixir", we are of the view that the net profit after taxation of Elixir for year 2009 may not reflect the profitability of principal business of Elixir in that year. Given the profit of Elixir may not be reflective, we consider it is fair and reasonable to determine the Consideration in terms of net asset value. We note that the amount of Consideration of HK$371,029 payable by Elixir to the Company was exactly the same as the Adjusted NAV of Elixir as at 28 February 2010.

In view of the fact that (i) the profit of Elixir for the year ended 31 December 2009 may not be reflective; (ii) the amount of Consideration of HK$371,029 payable by Elixir to the Company was exactly the same as the Adjusted NAV of Elixir as at 28 February 2010; (iii) the Macau government recently announced measures to limit the growth of Macau's gaming industry for the next three years which may affect the financial performance of Elixir in future and hence the business prospect of Elixir is uncertain; (iv) Elixir recorded net liabilities of approximately HK$169.7 million as at 28 February 2010 prior to the Adjustments; and (v) the Disposal would allow the Group to put more resources into its core leisure, gaming and entertainment businesses, we are of the opinion that the Consideration for the Disposal is fair and reasonable so far as the Independent Shareholders are concerned.

4. Financial Effects

Upon Completion, the Company will cease to hold any interests in Elixir which will cease to be an indirect subsidiary of the Company. The results of Elixir will no longer be consolidated into the financial statements of the Company.

Earnings

According to the unaudited pro forma financial information of the Remaining Group as set out in Appendix II to the Circular (the "Pro Forma Financial Information"), the Remaining Group will record an estimated loss on the Disposal of approximately HK$12.7 million assuming that the Disposal had taken place on 31 December 2009, which is determined by comparing the Consideration of HK$371,029 with the net liabilities of Elixir as at 31 December 2009 of approximately HK$161.1 million after adjusting for (i) the amount of approximately HK$249.9 million due by Elixir to the Group which will be waived upon Completion; (ii) the amount of approximately HK$6.2 million due by the Group to Elixir which will be waived upon Completion; (iii) the amounts due from associates of approximately HK$73.7 million from Elixir to the Group; and (iv) deducting the goodwill realized of HK$4.1 million. Such loss, however, is a one-off item and will not have continuing income statement effect on the Remaining Group.

Net asset value

As mentioned above, the Group is expected to recognize a loss on the Disposal of approximately HK$12.7 million and such expected loss will affect the net asset value of the Remaining Group. Based on the Pro Forma Financial Information, assuming that the Disposal had taken place on 31 December 2009, the net asset value of the Remaining Group as at 31 December 2009 would be reduced slightly from approximately HK$6,681.8 million to approximately HK$6,669.1 million after the Disposal.

Cash position

Based on the balance sheet included in the Pro Forma Financial Information, the bank balances and cash of the Remaining Group as of 31 December 2009 would be decreased by approximately HK$5.4 million to approximately HK$148.4 million, assuming that the Disposal had taken place on 31 December 2009.

We noticed that the effects of the Disposal on earnings, net asset value and cash position would have been worse off upon Completion. Nevertheless, taking into consideration that (i) the Macau government recently announced measures to limit the growth of Macau's gaming industry for the next three years which may affect the financial performance of Elixir in future and hence the business prospect of Elixir is uncertain; and (ii) the Disposal would allow the Group to put more resources into its core leisure, gaming and entertainment businesses, we consider that the decrease in the earnings, net asset value and cash position resulting from the Disposal are acceptable.

RECOMMENDATION

Having taken into account the principal factors and reasons referred to the above, we are of the opinion that (i) the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into the Agreement is in the interests of the Company and the Shareholders as a whole. We also consider the Disposal is in the ordinary and usual course of business of the Group. We therefore recommend the Independent Board Committee to advise the Independent Shareholders, as well as the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

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

1. ACCOUNTANTS' REPORT ON THE GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

4 June 2010

The Directors
Melco International Development Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Melco International Development Limited (the "Company" or "Melco") and its subsidiaries (hereinafter collectively referred to as the "Group") for the three years ended 31 December 2007, 2008 and 2009 (the "Relevant Periods") for inclusion in the circular issued by the Company dated 4 June 2010 in connection with the proposed disposal of 100% issued capital of a subsidiary, Elixir International Limited ("Elixir").

The Company is a public limited company incorporated in Hong Kong on 4 June 1910 and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company is an investment holding company.

All the subsidiaries have adopted 31 December as their financial year end date. As at the date of this report, the Company has direct and indirect interest in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and paid up share capital/ registered capital	Percentage of equity interest attributable to the Group at 31 December 2009	Percentage of equity interest attributable to the Group at Date of this report	Principal activities
Aberdeen Restaurant Enterprises Limited	Hong Kong 27 October 1970	HK$25,025,000 (HK$8,060,000 of Class "A" shares and HK$16,965,000 of Class "B" shares)*	86.68%	86.68%	Restaurant operations and property investment
Elixir Group Limited	Hong Kong 2 July 2002	HK$833,333 ordinary shares	100%	100%	Investment holding

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and paid up share capital/ registered capital	Percentage of equity interest attributable to the Group at 31 December 2009	Date of this report	Principal activities
Elixir Group Philippines, Inc. *(Note b)*	Philippines 6 November 2006	10,000 pesos common shares	100%	100%	Inactive
Elixir	Macau 29 July 2002	MOP500,000 quota capital	100%	100%	Provision of hardware and software
Elixir Network Solutions Limited *(Note b)*	British Virgin Islands ("BVI") 29 September 2000	US$1 ordinary share	100%	100%	Inactive
Giant Growth Limited *(Notes a & b)*	BVI 30 August 2002	US$1 ordinary share	100%	100%	Inactive
Harbin Red Houses Development Ltd. *(Note b)*	BVI 29 August 2008	US$1 ordinary share	100%	100%	Inactive
Harbin Sun Island Development Ltd. *(Note b)*	BVI 29 August 2008	US$1 ordinary share	100%	100%	Inactive
iAsia Solutions Limited *(Note b)*	BVI 23 March 2000	US$100 ordinary shares	100%	100%	Inactive
Jumbo Catering Management (Beijing) Limited *(Note a)*	Peoples' Republic of China ("PRC") # 28 November 2005	US$150,000 registered capital	100%	100%	Inactive
Jumbo Catering Management Limited	Hong Kong 4 June 1964	HK$1,100,000 ordinary shares	86.68%	86.68%	Provision of management services in Hong Kong
Jumbo International Catering Development (Beijing) Limited *(Note a)*	PRC # 28 November 2005	US$150,000 registered capital	100%	100%	Inactive
Jumbo Watertours Limited	Hong Kong 10 August 2001	HK$100 ordinary shares	100%	100%	Inactive

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and paid up share capital/ registered capital	Percentage of equity interest attributable to the Group at 31 December 2009	Date of this report	Principal activities
Melco Catering (Macau) Limited *(Note b)*	Macau 8 July 2005	MOP25,000 quota capital	100%	100%	Inactive
Melco Entertainment (Korea) Limited *(Note b)*	BVI 15 March 2007	US$1 ordinary share	100%	100%	Inactive
Melco Financial Group Limited *(Notes a & b)*	BVI 28 January 2003	US$1 ordinary share	100%	100%	Inactive
Melco Investment Holdings Limited *(Notes a & b)*	BVI 2 May 2003	US$1 ordinary share	100%	100%	Investment holding
Melco International Investment Consultancy (Beijing) Co. Ltd. *(Notes a & c)*	PRC # 17 August 2004	US$150,000 registered capital	100%	100%	Inactive
Melco Investment Consultancy (Shanghai) Limited *(Notes a & c)*	PRC # 5 March 2008	–	100%	100%	Inactive
Melco Leisure and Entertainment Group Limited *(Notes a & b)*	BVI 23 August 1990	US$1 ordinary share	100%	100%	Investment holding
Melco LottVentures Holdings Limited *(Note b)*	BVI 10 July 2006	US$1 ordinary share	100%	100%	Investment holding
Melco (Luxembourg) S.à.r.l. *(Note b)*	Luxembourg 7 March 2008	Euro 12,500 ordinary shares	100%	100%	Investment holding
Melco (Nominees) Limited *(Notes a & c)*	Hong Kong 23 December 2002	HK$2 ordinary shares	100%	100%	Inactive
Melco Property Development Limited *(Notes a & b)*	BVI 29 August 2008	US$1 ordinary share	100%	100%	Investment holding
Melco Property (Macau) Limited *(Note b)*	Macau 8 July 2005	MOP25,000 quota capital	100%	100%	Inactive

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and paid up share capital/ registered capital	Percentage of equity interest attributable to the Group at 31 December 2009	Percentage of equity interest attributable to the Group Date of this report	Principal activities
Melco Services Limited *(Notes a & b)*	BVI 18 September 2001	US$1 ordinary share	100%	100%	Investment holding
Melco Services (Macau) Limited *(Notes a & b)*	Macau 8 July 2005	MOP25,000 quota capital	100%	100%	Inactive
Melco Technology Group Limited *(Note a)*	Hong Kong 4 October 2002	HK$2 ordinary shares	100%	100%	Investment holding
Proven Success Limited *(Notes a & b)*	BVI 28 October 1998	US$1 ordinary share	100%	100%	Inactive
Sea Palace, Limited	Hong Kong 6 July 1961	HK$1,950,000 ordinary shares	86.45%	86.45%	Inactive
Tai Pak Sea-Food Restaurant Limited	Hong Kong 3 August 1962	HK$1,350,000 (HK$500 of founders' shares and HK$1,349,500 ordinary shares)**	84.76%	84.76%	Catering, restaurant vessel holding and letting
Zonic Technology Limited *(Note b)*	BVI 23 November 1999	US$1 ordinary share	100%	100%	Investment holding

* Class "A" shares of HK$1,000 par and Class "B" shares of HK$500 par rank equally with each other as to dividend, voting and participation in surplus assets on a winding up and in all other respects according to the number of such shares respectively and not according to the nominal value thereof nor to the amount paid up thereon.

** Founders' shares of HK$100 par and ordinary shares of HK$100 par rank equally with each other as to dividend, voting and participation in surplus assets on a winding up and in all other respects according to the number of such shares respectively and not according to the nominal value thereof nor to the amount paid up thereon.

\# The subsidiaries are PRC wholly foreign owned entities.

Notes:

(a) Theses subsidiaries are directly held by the Company.

(b) No audited financial statements have been prepared for these companies for the Relevant Periods or since their respective date of incorporation or acquisitions where there is a shorter period, as they were incorporated in countries which have no statutory audit requirements. We have, however, reviewed all relevant transactions of these companies for the Relevant Periods and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies in this circular.

(c) No audited financial statements have been prepared for these companies since their date of incorporation/ establishment as they were not yet commenced business up to 31 December 2009.

We have acted as auditors of all the entities comprising the Group for each of the Relevant Periods except for the following:

Name of subsidiaries	Financial period	Auditor
Aberdeen Restaurant Enterprises Limited	Three years ended 31 December 2009	H. C. Watt & Company Limited
Tai Pak Sea-Food Restaurant Limited	Three years ended 31 December 2009	H. C. Watt & Company Limited
Jumbo Catering Management Limited	Three years ended 31 December 2009	H. C. Watt & Company Limited
Sea Palace, Limited	Three years ended 31 December 2009	H. C. Watt & Company Limited
Jumbo Watertours Limited	Three years ended 31 December 2009	H.C. Watt & Company Limited
Jumbo Catering Management (Beijing) Limited	Three years ended 31 December 2009	Beijing Run Shen Jia Hua CPA Co., Ltd
Jumbo International Catering Development (Beijing) Limited	Three years ended 31 December 2009	Beijing Run Shen Jia Hua CPA Co., Ltd
Melco International Investment Consultancy (Beijing) Co. Ltd.	Three years ended 31 December 2009	Beijing Run Shen Jia Hua CPA Co., Ltd

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRS(s)") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have, for the purpose of this report, performed independent audit procedures on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for each of the Relevant Periods as set out in this report has been prepared based on the Underlying Financial Statements for the Relevant Periods for the purpose of preparing our report for inclusion in the circular. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the circular.

The Underlying Financial Statements are the responsibility of the directors of the Company who approve their issue. The directors of the Company are also responsible for the contents of the circular in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2007, 2008 and 2009 and of the results and cash flows of the Group for the Relevant Periods.

A. FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

		Year ended 31 December		
		2007	2008	2009
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations				
Revenue	8	804,895	690,862	709,553
Agency fee	13	1,232,057	–	–
Other income	10	43,795	71,213	62,158
Investment income (loss)	11	2,840	(244)	3,775
Purchases and changes in inventories of finished goods		(531,867)	(677,532)	(573,525)
Employee benefits expense	12	(180,983)	(169,465)	(125,548)
Depreciation of property, plant and equipment		(19,252)	(21,738)	(14,657)
Loss on disposal of a subsidiary	52	–	–	(1,804)
Loss on deemed disposal of subsidiaries	13	(143,368)	–	–
Loss on deemed disposal of partial interests in subsidiaries	14	(76,948)	–	–
Impairment loss recognised in respect of interests in associates	15	–	(1,160,838)	–
Impairment loss recognised in respect of available-for-sale investments		–	(147,861)	(2,574)
Impairment loss recognised in respect of amount due from an associate	16	–	–	(189,506)
Gain on disposal of interests in jointly controlled entities	28	532,604	–	–
Gain on changes in interest in an associate	29	–	54,370	–
Gain (loss) on deemed disposal of interests in associates	29	1,549,361	(5,904)	(157,214)
Gain on disposal of interest in an associate	29	–	–	33,516
Net increase in fair value of investment properties	25	10,060	14,000	–
Fair value changes on derivative financial instruments	37	190,126	(227,691)	(30)
Fair value change on investment in convertible loan note	31	–	(206,428)	75,410
Other expenses		(155,142)	(179,605)	(81,127)
Finance costs	17	(76,235)	(107,401)	(99,413)
Share of (losses) profits of jointly controlled entities	28	(157,713)	109,108	(190,227)
Share of losses of associates	29	(519,538)	(387,175)	(896,601)
Gain on early redemption of convertible loan notes		8,827	–	–
Profit (loss) before tax	18	2,513,519	(2,352,329)	(1,447,814)
Income tax credit (expense)	19	69	(885)	(602)
Profit (loss) for the year from continuing operations		2,513,588	(2,353,214)	(1,448,416)
Discontinued operation				
Profit for the year from discontinued operation	20	155,075	–	–
Profit (loss) for the year		2,668,663	(2,353,214)	(1,448,416)

		Year ended 31 December		
		2007	**2008**	**2009**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Other comprehensive (loss) income				
Exchange differences arising on translation of foreign operations		341	(313)	313
Share of other comprehensive (loss) income of associates		(29,327)	(82,589)	28,028
Share of other comprehensive income of a jointly controlled entity		–	–	175,050
Loss on fair value change of available-for-sale investments		(30,617)	(117,244)	–
Reclassification adjustment upon impairment of available-for-sale investments		–	147,861	–
Other comprehensive (loss) income for the year		(59,603)	(52,285)	203,391
Total comprehensive income (loss) for the year		2,609,060	(2,405,499)	(1,245,025)
Profit (loss) for the year attributable to:				
Owners of the Company		2,690,639	(2,356,819)	(1,449,685)
Minority interests		(21,976)	3,605	1,269
		2,668,663	(2,353,214)	(1,448,416)
Total comprehensive income (loss) attributable to:				
Owners of the Company		2,631,087	(2,409,104)	(1,246,294)
Minority interests		(22,027)	3,605	1,269
		2,609,060	(2,405,499)	(1,245,025)
Earnings (loss) per share	24			
For continuing and discontinued operations				
Basic		HK219.06 cents	(HK192.08 cents)	(HK118.05 cents)
Diluted		HK198.38 cents	(HK192.09 cents)	(HK118.05 cents)
For continuing operations				
Basic		HK207.56 cents	(HK192.08 cents)	(HK118.05 cents)
Diluted		HK188.23 cents	(HK192.09 cents)	(HK118.05 cents)

Consolidated Statements of Financial Position

		As at 31 December		
		2007	**2008**	**2009**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Investment properties	25	152,000	166,000	166,000
Property, plant and equipment	26	59,636	42,977	32,524
Other intangible assets	27	2,000	2,000	2,000
Interests in jointly controlled entities	28	81,119	190,227	–
Interests in associates	29	8,689,271	7,126,710	6,370,847
Amounts due from associates	38	578,578	800,673	627,321
Available-for-sale investments	30	156,337	39,093	8,829
Investment in convertible loan note	31	–	168,573	257,739
Long term receivables	52	–	–	4,000
Goodwill	32	8,555	8,555	4,113
Pledged bank deposits	39	972,500	972,500	–
Deferred tax assets	47	1,592	719	–
		10,701,588	9,518,027	7,473,373
Current assets				
Inventories	34	25,764	57,652	6,581
Trade receivables	35	259,705	55,690	62,530
Prepayments, deposits and other receivables		110,497	232,534	91,512
Held-for-trading investments	36	430	150	300
Derivative financial instruments	37	223,626	64	34
Amounts due from associates	38	682,757	130,555	34,827
Pledged bank deposits	39	947	6,738	7,988
Bank deposits with original maturity over three months	40	–	164,896	707,024
Bank balances and cash	40	308,865	239,875	153,754
		1,612,591	888,154	1,064,550
Current liabilities				
Trade payables	41	162,529	309,664	110,313
Other payables		96,480	124,095	56,191
Shareholder's loan	42	250,000	250,000	–
Dividend payable		118	133	86
Taxation payable		3,726	689	721
Financial guarantee liability	43	45,217	45,217	146,188
Bank borrowings – due within one year	44	80,000	96,400	166,400
Convertible loan note – due within one year	45	–	–	1,128,227
		638,070	826,198	1,608,126
Net current assets (liabilities)		974,521	61,956	(543,576)
Total assets less current liabilities		11,676,109	9,579,983	6,929,797

		As at 31 December		
		2007	2008	2009
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities				
Trade payables – due after one year	41	–	81,678	–
Financial guarantee liability	43	167,025	121,808	–
Bank borrowings – due after one year	44	–	216,600	50,200
Long term payable	46	168,142	172,496	170,537
Convertible loan note – due after one year	45	999,399	1,061,861	–
		1,334,566	1,654,443	220,737
		10,341,543	7,925,540	6,709,060
Capital and reserves				
Share capital	48	614,238	614,666	615,130
Reserves		9,704,875	7,284,839	6,066,626
Equity attributable to owners of the Company		10,319,113	7,899,505	6,681,756
Minority interests		22,430	26,035	27,304
		10,341,543	7,925,540	6,709,060

Consolidated Statements of Changes in Equity

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

	Attributable to the owners of the Company																
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Note 1)	Special reserve HK$'000 (Note 2)	Convertible loan note equity reserve HK$'000	Property revaluation reserve HK$'000	Other revaluation reserve HK$'000	Exchange reserve HK$'000	Legal reserve HK$'000 (Note 3)	Share options reserve HK$'000	Shares held under share award schemes HK$'000	Share awards reserve HK$'000	Other reserve HK$'000 (Note 4)	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2008	614,238	3,125,485	283,734	(69,950)	307,253	5,796	(1,669)	2,599	254	21,958	–	–	(31,674)	6,061,089	10,319,113	22,430	10,341,543
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	(313)	–	–	–	–	–	–	(313)	–	(313)
Share of reserves of associates	–	–	–	–	–	–	–	(10,469)	–	–	–	–	(72,120)	–	(82,589)	–	(82,589)
Loss on fair value change of available-for-sale investments	–	–	–	–	–	–	(117,244)	–	–	–	–	–	–	–	(117,244)	–	(117,244)
Impairment loss recognised in respect of available-for-sale investments	–	–	–	–	–	–	147,861	–	–	–	–	–	–	–	147,861	–	147,861
Other comprehensive income (loss) for the year	–	–	–	–	–	–	30,617	(10,782)	–	–	–	–	(72,120)	–	(52,285)	–	(52,285)
Loss for the year	–	–	–	–	–	–	–	–	–	–	–	–	–	(2,356,819)	(2,356,819)	3,605	(2,353,214)
Total comprehensive income (loss) for the year	–	–	–	–	–	–	30,617	(10,782)	–	–	–	–	(72,120)	(2,356,819)	(2,409,104)	3,605	(2,405,499)
Exercise of share options	428	4,703	–	–	–	–	–	–	–	–	–	–	–	–	5,131	–	5,131
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	–	–	13,271	–	7,365	–	–	20,636	–	20,636
Transfer to share premium upon exercise of share options	–	1,254	–	–	–	–	–	–	–	(1,254)	–	–	–	–	–	–	–
Transfer of share option reserve upon expiry of share options	–	–	–	–	–	–	–	–	–	(1,337)	–	–	–	1,337	–	–	–
Shares vested under the share award schemes	–	–	–	–	–	–	–	–	–	–	2,912	(3,227)	–	315	–	–	–
Purchase of shares for unvested shares under the share award schemes	–	–	–	–	–	–	–	–	–	–	(24,000)	–	–	–	(24,000)	–	(24,000)
Dividend paid	–	–	(12,271)	–	–	–	–	–	–	–	–	–	–	–	(12,271)	–	(12,271)
At 31 December 2008	614,666	3,131,442	271,463	(69,950)	307,253	5,796	28,948	(8,183)	254	32,638	(21,088)	4,138	(103,794)	3,705,922	7,899,505	26,035	7,925,540

	Attributable to the owners of the Company																
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 *(Note 1)*	Special reserve HK$'000 *(Note 2)*	Convertible loan note equity reserve HK$'000	Property revaluation reserve HK$'000	Other revaluation reserve HK$'000	Exchange reserve HK$'000	Legal reserve HK$'000 *(Note 3)*	Share options reserve HK$'000	Shares held under share award schemes HK$'000	Share awards reserve HK$'000	Other reserve HK$'000 *(Note 4)*	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2009	614,666	3,131,442	271,463	(69,950)	307,253	5,796	28,948	(8,183)	254	32,638	(21,088)	4,138	(103,794)	3,705,922	7,899,505	26,035	7,925,540
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	313	–	–	–	–	–	–	313	–	313
Share of reserves of associates	–	–	–	–	–	–	–	11,426	–	–	–	–	16,602	–	28,028	–	28,028
Share of fair value gain on available-for-sale investments of a jointly controlled entity *(note 28)*	–	–	–	–	–	–	175,050	–	–	–	–	–	–	–	175,050	–	175,050
Other comprehensive income for the year	–	–	–	–	–	–	175,050	11,739	–	–	–	–	16,602	–	203,391	–	203,391
Loss for the year	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,449,685)	(1,449,685)	1,269	(1,448,416)
Total comprehensive income (loss) for the year	–	–	–	–	–	–	175,050	11,739	–	–	–	–	16,602	(1,449,685)	(1,246,294)	1,269	(1,245,025)
Exercise of share options	244	740	–	–	–	–	–	–	–	–	–	–	–	–	984	–	984
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	–	–	14,744	–	4,683	–	–	19,427	–	19,427
Transfer to share premium upon exercise of share options	–	561	–	–	–	–	–	–	–	(561)	–	–	–	–	–	–	–
Transfer of share option reserve upon expiry of share options	–	–	–	–	–	–	–	–	–	(244)	–	–	–	244	–	–	–
Shares issued under share award scheme	220	–	–	–	–	–	–	–	–	–	(220)	–	–	–	–	–	–
Shares vested under share award schemes	–	–	–	–	–	–	–	–	–	–	8,057	(4,787)	–	(3,270)	–	–	–
Realisation of special reserve and other revaluation reserve upon deemed disposal of partial interest in an associate	–	–	–	8,134	–	–	(3,367)	–	–	–	–	–	–	3,367	8,134	–	8,134
At 31 December 2009	615,130	3,132,743	271,463	(61,816)	307,253	5,796	200,631	3,556	254	46,577	(13,251)	4,034	(87,192)	2,256,578	6,681,756	27,304	6,709,060

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

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

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

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

Consolidated Statements of Cash Flows

	Year ended 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Profit (loss) before tax	2,677,471	(2,352,329)	(1,447,814)
Adjustments for:			
Agency fee	(1,232,057)	–	–
Gain on extension of long term payable	(9,656)	(2,517)	(8,010)
Gain on early redemption of convertible loan notes	(8,827)	–	–
(Gain) loss from fair value change of held-for-trading investments	(1,194)	280	(150)
Release of financial guarantee liability	(13,464)	(45,217)	(20,837)
Dividend income	(2,739)	(36)	(3,625)
Depreciation of property, plant and equipment	20,381	21,738	14,657
Amortisation of trading rights	364	–	–
Loss on deemed disposal of partial interests in subsidiaries	39,754	–	–
Loss on deemed disposal of subsidiaries	65,288	–	–
Loss on disposal of a subsidiary	–	–	1,804
Loss on disposal of available-for-sale investment	–	–	1,172
Gain on disposal of interests in jointly controlled entity	(532,604)	–	–
(Gain) loss on deemed disposal of interests in associates	(1,549,361)	5,904	157,214
Gain on changes in interest in an associate	–	(54,370)	–
Gain on disposal of interest in an associate	–	–	(33,516)
Increase in fair value of investment properties	(10,060)	(14,000)	–
Impairment loss recognised in respect of interests in associates	–	1,160,838	–
Impairment loss recognised in respect of available-for-sale investments	–	147,861	2,574
Impairment loss recognised in respect of amount due from an associate	–	–	189,506
Fair value changes on derivative financial instruments	(190,126)	227,691	30
Fair value change on investment in convertible loan note	–	206,428	(75,410)
Allowance for doubtful debts	2,395	6,222	2,020
Allowance on other receivables	–	19,540	–
Allowance for inventories	–	220,030	22,363
Share-based payment expense	9,657	20,636	19,427
Loss (gain) on disposal of property, plant and equipment	322	(81)	1,605
Share of losses (profit) of jointly controlled entities	157,713	(109,108)	190,227
Share of losses of associates	519,538	387,175	896,601
Finance costs	96,097	107,401	99,413
Operating cash flows before movements in working capital	38,892	(45,914)	9,251
Decrease (increase) in inventories	33,395	(240,826)	26,743
(Increase) decrease in trade receivables	(1,461,663)	197,671	(14,107)
(Increase) decrease in prepayments, deposits and other receivables	(29,497)	(143,512)	143,542
Decrease in held-for-trading investments	1,703	–	–
Decrease in amounts due from joint controlled entities	855	–	–
Decrease in amounts due from associates	203,440	161,010	53,165
Increase (decrease) in trade payables	93,625	228,813	(271,589)
Increase (decrease) in other payables	39,683	27,615	(64,409)
Net cash (used in) from operations	(1,079,567)	184,857	(117,404)
Income tax paid	(2,742)	(1,114)	–
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(1,082,309)	183,743	(117,404)

	Notes	Year ended 31 December 2007 HK$'000	2008 HK$'000	2009 HK$'000
INVESTING ACTIVITIES				
(Increase) decrease in pledged bank deposits		(972,500)	(5,791)	971,250
Proceeds from disposal of an associate		–	–	302,634
Proceeds from disposal of available-for-sale investments		–	–	26,518
Repayment of amounts due from associates		–	–	22,603
Dividend received		2,739	36	3,625
Cash inflow from acquisition of subsidiaries	50	8,439	–	–
Decrease in long term deposits		179	–	–
Net cash outflow on deemed disposal of subsidiaries	51	(170,441)	–	–
Purchase of available-for-sale investments		(191,492)	–	–
Investment in jointly controlled entities		(30,000)	–	–
Proceeds from disposal of property, plant and equipment		–	5,460	181
Increase in bank deposits with original maturity over three months		–	(164,896)	(542,128)
Capital contribution to a jointly controlled entity		–	–	(350,100)
Subscription of convertible loan note of an associate		–	–	(13,756)
Cash outflow from disposal of a subsidiary	52	–	–	(8,819)
Purchase of property, plant and equipment		(179,176)	(19,771)	(7,302)
Subscription of shares of an associate		–	–	(965)
Advances to associates		–	(128,197)	–
Investments in associates		–	(98,854)	–
Subscription of warrants of an associate		–	(4,527)	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(1,532,252)	(416,540)	403,741
FINANCING ACTIVITIES				
Advance from a shareholder		250,000	–	300,000
Repayment to a shareholder		–	–	(550,000)
Repayments of bank borrowings		–	(80,000)	(96,400)
Interest paid		(29,549)	(38,068)	(26,995)
Dividend paid		(13,804)	(12,256)	(47)
Proceeds from exercise of share options		595	5,131	984
Bank borrowings raised		1,162,146	313,000	–
Purchase of shares for unvested shares under the share award schemes		–	(24,000)	–
Capital contribution from minority shareholders		500,212	–	–
Redemption of convertible loan notes		(156,000)	–	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES		1,713,600	163,807	(372,458)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(900,961)	(68,990)	(86,121)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		1,209,826	308,865	239,875
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		308,865	239,875	153,754

Notes to the Financial Information

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on the Stock Exchange. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the circular.

The Financial Information are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

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

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Group finances its 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 Section B, 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 one year from the date of this circular 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 account 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 Financial Information has been prepared on a going concern basis.

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

The HKICPA has issued a number of Hong Kong Accounting Standards ("HKASs"), Hong Kong Financial Reporting Standards ("HKFRSs"), amendments and interpretations ("HK(IFRIC) – Int") (hereinafter collectively referred to as "new and revised HKFRSs") which are effective for the Group's financial year beginning on 1 January 2009. For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has adopted all these new and revised HKFRSs consistently throughout the Relevant 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]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[8]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[7]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

[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 July 2010 and 1 January 2011, as appropriate.
[4] Effective for annual periods beginning on or after 1 January 2010.
[5] Effective for annual periods beginning on or after 1 February 2010.
[6] Effective for annual periods beginning on or after 1 July 2010.
[7] Effective for annual periods beginning on or after 1 January 2011.
[8] Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the Group's accounting for 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 Financial Information.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

The Financial Information has been prepared in accordance with accounting policies set out below which conform with HKFRSs issued by HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

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

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

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

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

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

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

Business combinations

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

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

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

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

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

Jointly controlled entities

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

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

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

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or jointly control over those policies.

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associates recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

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

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

Revenue recognition

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

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

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

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

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

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

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

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

Property, plant and equipment

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

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

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

Investment properties

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

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

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

Leasing

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

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

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

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange reserve). Gain or loss accumulated in the foreign currency translation reserve is reclassified to profit or loss on disposal of the foreign operation.

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

Retirement benefits costs

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

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Inventories

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

Share-based payment transactions

Equity settled share-based payment transactions

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

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

At the end of the reporting period, the Group revises its estimates of the number of options and awarded shares that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve or share awards reserve, respectively.

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

Intangible assets

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

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

Financial instruments

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets

Financial assets of the Group are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in other revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the other revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

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

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

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

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

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

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

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

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

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees, points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

Convertible loan note

Convertible loan note issued by the Company that contain liability and conversion option are classified separately into respective terms on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. At the date of issue, the liability is measured at fair value. The difference between the gross proceeds of the issue of the convertible loan note and the fair value assigned to the liability, representing the conversion option for the holder to convert the loan note into equity, is included in equity (convertible loan note equity reserve).

In subsequent periods, the liability component of the convertible loan note is carried at amortised cost using the effective interest method.

The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan note equity reserve until the embedded option is exercised (in which case the balance stated in convertible loan note equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible loan note equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

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

Other financial liabilities

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

Equity instruments

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

Derivative financial instruments

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

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Financial guarantee contracts

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

Derecognition

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

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

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

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of trade receivables and amounts due from associates

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

Fair value of investment in convertible loan note and derivatives

As described in notes 31 and 37, the directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For valuation of derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument.

Estimated impairment of interests in associates

Determining the impairment loss in respect of interests in associates requires an estimation of the recoverable amount of the interests in associates. The recoverable amount requires the Group to estimate the future cash flows expected to arise from the associates and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, 2008 and 2009, the interests in associates amounting to approximately HK$8,689,271,000, HK$7,126,710,000 and HK$6,370,847,000, respectively (net of accumulated impairment loss of nil, HK$1,160,838,000 and HK$1,160,838,000, respectively).

6. CAPITAL RISK MANAGEMENT

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

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

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

7. FINANCIAL INSTRUMENTS

7a. Categories of financial instruments

	As at 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Fair value through profit or loss			
– Held for trading	224,056	214	334
– Designated as fair value through profit or loss	–	168,573	257,739
Loans and receivables (including cash and cash equivalents)	2,897,991	2,399,317	1,623,804
Available-for-sale financial assets	156,337	39,093	8,829
Financial liabilities			
Amortised cost	1,730,470	2,290,897	1,636,034
Financial guarantee liability	212,242	167,025	146,188

7b. Financial risk management objectives and policies

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

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

Market risk

(i) Currency risk

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

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

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

	Liabilities			**Assets**		
	As at 31 December			**As at 31 December**		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
United States dollar ("USD")	(190,934)	(242,220)	(143,771)	1,615,596	1,295,186	716,648
Macau Patacas ("MOP")	(11,313)	(21,933)	(46,060)	189,013	9,278	35,948
Renminbi ("RMB")	–	–	(58)	–	–	24,290

Sensitivity analysis

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

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

	USD Impact (i)			**MOP Impact (ii)**			**RMB Impact (iii)**		
	Year ended 31 December			**Year ended 31 December**			**Year ended 31 December**		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Result for the year	(14,247)	(10,530)	(5,729)	(1,778)	126	101	–	–	(242)

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

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

(iii) This is mainly attributable to the exposure on outstanding RMB bank deposits at the year end in the Group.

(ii) *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to amounts due from associates, pledged bank deposits, bank deposits with original maturity over three months, bank balances, trade payable by instalments, convertible loan note and long term payable which carried interest at fixed rate (see Notes 38, 39, 40, 41, 45 and 46 for details of these borrowings). The Group currently do not enter into any hedging instrument for fair value interest rate risk.

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

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

Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2007 would increase/decrease by HK$3,021,000, the Group's post-tax loss would decrease/increase by approximately HK$756,000 and HK$2,355,000 for the years ended 31 December 2008 and 2009, respectively. This is mainly attributable to the Group's exposure to interest rates on its variable-rate amounts due from associates, bank borrowings and shareholder's loan.

(iii) *Other price risk*

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

Sensitivity analysis

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

If the respective equity price underlying the investment in convertible loan note, available-for-sale investments, held-for-trading investments and derivative financial instruments had been 5% higher/lower:

- other revaluation reserve would increase/decrease by HK$6,825,000 as a result of the changes in fair value of available-for-sale investments for the year ended 31 December 2007, post-tax loss for the years ended 31 December 2008 and 2009 would decrease/increase by HK$10,384,000 and HK$7,874,000, respectively, as a result of the changes in fair value of investment in convertible loan note and available-for-sale investments; and

- post-tax profit for the year ended 31 December 2007 would increase/decrease by HK$11,175,000, post-tax loss for the years ended 31 December 2008 and 2009 would decrease/increase by HK$10,000 and HK$17,000, respectively, as a result of the changes in fair value of held-for-trading investments and derivative financial instruments.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from

- the carrying amount of the respective recognised financial assets as stated in the statement of financial position; and

- the amount of contingent liabilities and financial guarantee liability in relation to guarantee issued by the Group as disclosed in notes 55 and 43, respectively.

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

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

The Group's concentration of credit risk by geographical location is mainly in the People's Republic of China. The Group's significant concentration of credit risk is mainly on the investment in convertible loan note, amounts due from associates of Melco Crown Entertainment Limited ("Melco Crown Entertainment") and Elixir Gaming Technologies, Inc. ("EGT") and the Group determines the credit risk after taking into consideration the financial position of these associates. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

The Group also exposes to concentration of credit risk in respect of the exchangeable bonds ("Exchangeable Bonds") of HK$1,950 million (US$250 million) issued by a jointly controlled entity (note 43), which are jointly and severally guaranteed by the Group and another shareholder of the jointly controlled entity. As at 31 December 2007, 2008 and 2009, the Group recognised a financial guarantee liability of approximately HK$212,242,000, HK$167,025,000 and HK$146,188,000, respectively, as disclosed in note 43.

Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. Details of which are set out in note 44. As at 31 December 2007, 2008 and 2009, the Group has available bank loan facilities of HK$129,800,000, HK$313,000,000 and HK$216,600,000, respectively.

The following table details the Group's remaining contractual maturity for its financial liabilities as at 31 December 2007, 2008 and 2009 based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Weighted average interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-2 years	2-5 years	Total undiscounted cash flows	Carrying amount at 31.12.2007
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007								
Non-derivative financial liabilities								
Trade and other payables	–	232,811	–	–	–	–	232,811	232,811
Dividend payable	–	118	–	–	–	–	118	118
Shareholder's loan	9.3%	–	7,491	266,059	–	–	273,550	250,000
Bank borrowings	4.4%	136	384	82,671	–	–	83,191	80,000
Long term payable	5.0%	–	–	–	180,000	–	180,000	168,142
Convertible loan note	6.3%	–	–	–	–	1,175,000	1,175,000	999,399
Financial guarantee liability	–	–	–	45,217	45,217	121,808	212,242	212,242
		233,065	7,875	393,947	225,217	1,296,808	2,156,912	1,942,712

	Weighted average interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-2 years	2-5 years	Total undiscounted cash flows	Carrying amount at 31.12.2008
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008								
Non-derivative financial liabilities								
Trade and other payables	0.8%	306,490	11,190	95,705	–	–	413,385	411,729
Dividend payable	–	133	–	–	–	–	133	133
Shareholder's loan	8.3%	–	253,724	–	–	–	253,724	250,000
Bank borrowings	2.5%	80,060	4,460	16,753	168,933	51,156	321,362	313,000
Trade payables								
– due after one year	5.0%	–	–	–	87,584	–	87,584	81,678
Long term payable	3.1%	–	–	–	180,000	–	180,000	172,496
Convertible loan note	6.3%	–	–	–	1,175,000	–	1,175,000	1,061,861
Financial guarantee liability	–	–	–	45,217	45,217	76,591	167,025	167,025
		386,683	269,374	157,675	1,656,734	127,747	2,598,213	2,457,922

	Weighted average interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-2 years	2-5 years	Total undiscounted cash flows	Carrying amount at 31.12.2009
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009								
Non-derivative financial liabilities								
Trade and other payables	0.1%	107,393	3,178	10,084	–	–	120,655	120,584
Dividend payable	–	86	–	–	–	–	86	86
Bank borrowings	1.4%	–	3,940	163,977	50,732	–	218,649	216,600
Long term payable	3.1%	–	–	–	180,000	–	180,000	170,537
Convertible loan note	6.3%	–	–	1,175,000	–	–	1,175,000	1,128,227
Financial guarantee liability	–	–	–	146,188	–	–	146,188	146,188
		107,479	7,118	1,495,249	230,732	–	1,840,578	1,782,222

The amounts included above for financial guarantee contracts in relation to a jointly controlled entity are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount, if that amount is claimed by the counterparty to the guarantee through exercising of a put option to require a redemption of the full aggregate principal amount of the Exchangeable Bonds as disclosed in note 43.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

7c. Fair value

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

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices respectively;

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input;

- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, fair value is determined by option pricing models for option derivatives. The fair value of the conversion component of investment in convertible loan note is determined using binomial model; and

- the fair value of unlisted equity security classified as available-for-sale investments is determined with reference to the estimated fair value of underlying listed and unlisted equity and debt investment.

The directors consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the Financial Information approximate their fair value.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31.12.2007			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at FVTPL				
Derivative financial assets	–	–	223,626	223,626
Non-derivative financial assets held for trading	430	–	–	430
Investment in convertible loan note	–	–	–	–
Available-for-sale financial assets				
Equity securities listed in Hong Kong	136,500	–	–	136,500
Unlisted equity security	–	–	19,837	19,837
	136,930	–	243,463	380,393

	31.12.2008			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at FVTPL				
Derivative financial assets	64	–	–	64
Non-derivative financial assets held for trading	150	–	–	150
Investment in convertible loan note	–	–	168,573	168,573
Available-for-sale financial assets				
Equity securities listed in Hong Kong	27,690	–	–	27,690
Unlisted equity security	–	–	11,403	11,403
	27,904	–	179,976	207,880

	31.12.2009			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at FVTPL				
Derivative financial assets	34	–	–	34
Non-derivative financial assets held for trading	300	–	–	300
Investment in convertible loan note	–	–	257,739	257,739
Available-for-sale financial assets				
Unlisted equity security	–	–	8,829	8,829
	334	–	266,568	266,902

There were no transfers between Level 1 and 2 in year 2007, 2008 and 2009.

Reconciliation of Level 3 fair value measurements of financial assets

	Derivative financial assets HK$'000	Unlisted equity security HK$'000	Investment in convertible loan note HK$'000
At 1 January 2007	–	19,837	–
Addition	33,500	–	–
Fair value change on derivative financial instrument	190,126	–	–
At 31 December 2007 and 1 January 2008	223,626	19,837	–
Impairment loss recognised in respect of available-for-sale investments	–	(8,434)	–
Addition	–	–	375,000
Fair value change on investment in convertible loan note	–	–	(206,427)
Fair value change on derivative financial instrument	(223,626)	–	–
At 31 December 2008 and 1 January 2009	–	11,403	168,573
Impairment loss recognised in respect of available-for-sale investments	–	(2,574)	–
Addition	–	–	13,756
Fair value change on investment in convertible loan note	–	–	75,410
At 31 December 2009	–	8,829	257,739

The above impairment loss and fair value change in respect of the financial assets under Level 3 fair value measurements, which are still held by the Group as at years ended 31 December 2007, 2008 and 2009, are all included in profit or loss for respective year then ended.

8. REVENUE

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

	Continuing operation			Discontinued operation			Consolidated		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Implementation of technology solution systems	261,940	247,173	548,110	–	–	–	261,940	247,173	548,110
Sales of electronic gaming machines	311,556	265,659	32,545	–	–	–	311,556	265,659	32,545
Sales of leisure and gaming products	28,828	–	–	–	–	–	28,828	–	–
Catering service income	90,725	103,260	87,549	–	–	–	90,725	103,260	87,549
Brokerage commission from dealing in securities and futures and options contracts	–	–	–	140,953	–	–	140,953	–	–
Interest income from clients	–	–	–	55,427	–	–	55,427	–	–
Interest income from authorised institutions and associates	100,227	68,129	35,800	–	–	–	100,227	68,129	35,800
Underwriting, sub-underwriting, placing and sub-placing commission	–	–	–	7,423	–	–	7,423	–	–
Arrangement, management, advisory and other fee income	–	–	–	6,823	–	–	6,823	–	–
Property rental income	10,419	5,441	5,549	–	–	–	10,419	5,441	5,549
Management fee income	1,200	1,200	–	–	–	–	1,200	1,200	–
	804,895	690,862	709,553	210,626	–	–	1,015,521	690,862	709,553

9. SEGMENTS INFORMATION

Segments information

Segments information reported externally was analysed on the basis of the types of services provided and activities carried out by the Group's operating division. The Group is currently organised into four operating divisions – Leisure, Gaming and Entertainment segment, Technology segment – Elixir, Technology segment – iAsia, and Property and Other Investments segment. The information reported to the Group's Chief Executive Officer for the purposes of resources allocation and assessment of performance is focused on these operating divisions. The Group's operating and 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.

(5) The Investment and Financial Services Segment: It was operated through a non-wholly owned subsidiary of the Company, Value Convergence Holdings Limited ("VC"),which mainly comprised (a) provision of corporate finance advisory service, initial public offerings and mergers and acquisition advisory services and (b) broking and dealing for clients in securities, futures and options contracts. As disclosed in note 20, VC was deemed disposed of during 2007. The Investment and Financial Services segment was thus discontinued during the year ended 31 December 2007.

Information regarding the above segments is reported below.

Segment revenue and results

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

2007

	Continuing operations						Discontinued operation			
	Leisure, Gaming and Entertainment	Technology Elixir	Technology iAsia	Property and Other Investments	Elimination	Total	Investment and Financial Services	Elimination	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
External sales	125,573	513,234	60,262	105,826	–	804,895	210,626	–	210,626	1,015,521
Inter-segment sales	1,150	–	2,178	10,946	(14,274)	–	483	(483)	–	–
Total revenue	126,723	513,234	62,440	116,772	(14,274)	804,895	211,109	(483)	210,626	1,015,521
Segment result	(74,229)	14,043	9,239	118,884	(296)	67,641	69,023	(483)	68,540	136,181
Agency fee income						1,232,057			–	1,232,057
(Loss) gain on deemed disposals of subsidiaries						(143,368)			78,080	(65,288)
(Loss) gain on deemed disposal of partial interests in subsidiaries						(76,948)			37,194	(39,754)
Gain on disposal of interests in jointly controlled entities						532,604			–	532,604
Gain on deemed disposal of interests in associates						1,549,361			–	1,549,361
Fair value changes on derivative financial instruments						190,126			–	190,126
Finance costs						(76,235)			(19,862)	(96,097)
Share of losses of associates						(519,538)			–	(519,538)
Share of losses of jointly controlled entities						(157,713)			–	(157,713)
Gain on early redemption of convertible loan notes						8,827			–	8,827
Cost of agency service						(14,551)			–	(14,551)
Unallocated corporate income						23,218			–	23,218
Central administrative costs and other unallocated corporate expenses						(101,962)			–	(101,962)
Profit before tax						2,513,519			163,952	2,677,471

2008

	Continuing operations					
	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	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 profits 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)

2009

	Continuing operations					
	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)

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 described in note 4. 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

	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Leisure, Gaming and Entertainment	47,340	44,559	41,157
Technology			
– Elixir	379,584	404,718	208,522
– iAsia	17,114	13,168	–
Property and Other Investments	2,393,400	2,262,034	1,623,791
Total segment assets	2,837,438	2,724,479	1,873,470
Interests in associates	8,689,271	7,126,710	6,370,847
Interests in jointly controlled entities	81,119	190,227	–
Unallocated assets	706,351	364,765	293,606
Consolidated assets	12,314,179	10,406,181	8,537,923

Segment liabilities

	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Leisure, Gaming and Entertainment	15,974	14,424	18,184
Technology			
– Elixir	220,747	476,459	129,331
– iAsia	6,456	8,489	–
Property and Other Investments	404	690	389
Total segment liabilities	243,581	500,062	147,904
Unallocated liabilities	1,729,055	1,980,579	1,680,959
Consolidated liabilities	1,972,636	2,480,641	1,828,863

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

2007

	Continued operation					Discounted operation	
	Leisure, Gaming and Entertainment	Technology Elixir	Technology iAsia	Property and Other Investments	Unallocated	Investment and Financial Services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:							
Capital additions	151,359	5,330	486	20,284	–	1,715	179,174
Depreciation	11,039	2,004	360	–	5,849	1,129	20,381
Amortisation of trading rights	–	–	–	–	–	364	364
Loss on disposal of property, plant and equipment	140	–	9	172	–	1	322
Allowance for doubtful debts	1,095	1,212	–	–	–	88	2,395
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	8,426,030	–	–	–	263,241	–	8,689,271
Interests in jointly controlled entities	81,119	–	–	–	–	–	81,119
Share of loss of a jointly controlled entity	157,713	–	–	–	–	–	157,713
Share of losses (profits) of associates	527,468	–	–	–	(7,930)	–	519,538

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

2009

	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	–	–	–	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

Geographical information

The Group's operations are located in the People's Republic of China (the "PRC") (country of domicile). For the years ended 31 December 2007, 2008 and 2009, non-current assets of approximately HK$8,992,581,000, HK$7,536,469,000 and HK$6,579,484,000, respectively, 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.

Revenue analysed by products and services

The Group's revenue from major products and services are disclosed in note 8.

Information about major customers

During the years ended 31 December 2007 and 2009, revenue from a customer contributing over 10% of the total sales of the Group amounted to approximately HK$121,289,000 and HK$413,230,000, respectively. For year ended 31 December 2008, no customer contributed over 10% of the total sales of the Group.

10. OTHER INCOME

	Continuing operations			Discontinued operation			Consolidated		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Service fees from associates	12,581	19,768	11,634	–	–	–	12,581	19,768	11,634
Exchange gain, net	1,861	–	–	247	–	–	2,108	–	–
Release of financial guarantee liability, net	13,464	45,217	20,837	–	–	–	13,464	45,217	20,837
Gain on extension of long term payable	9,656	2,517	8,010	–	–	–	9,656	2,517	8,010
Others	6,233	3,711	21,677	131	–	–	6,364	3,711	21,677
	43,795	71,213	62,158	378	–	–	44,173	71,213	62,158

11. INVESTMENT INCOME (LOSS)

	Continuing operations			Discontinued operation			Consolidated		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Loss on disposal of held-for-trading investments	–	–	–	(137)	–	–	(137)	–	–
Gain (loss) from fair value change of held-for-trading investments	101	(280)	150	1,093	–	–	1,194	(280)	150
Dividend income from unlisted investments	2,219	36	1,697	–	–	–	2,219	36	1,697
Dividend income from listed investments	520	–	1,928	–	–	–	520	–	1,928
	2,840	(244)	3,775	956	–	–	3,796	(244)	3,775

12. EMPLOYEE BENEFITS EXPENSE

	Continuing operations			Discontinued operation			Consolidated		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Wages, salaries and staff welfare	165,753	139,989	101,819	27,840	–	–	193,593	139,989	101,819
Sales commission	394	564	337	77,501	–	–	77,895	564	337
Unutilised (reversal of) annual leave	143	621	(160)	–	–	–	143	621	(160)
Termination benefits	146	1,460	344	–	–	–	146	1,460	344
Social security costs	473	26	38	–	–	–	473	26	38
Provision for long service payment	(177)	1,882	922	–	–	–	(177)	1,882	922
Retirement benefit scheme contributions	3,015	2,988	2,579	815	–	–	3,830	2,988	2,579
Forfeiture of retirement benefit scheme contributions	–	–	–	(25)	–	–	(25)	–	–
Share-based payment employee expense	9,393	20,636	19,427	264	–	–	9,657	20,636	19,427
Others	1,843	1,299	242	592	–	–	2,435	1,299	242
Total employee benefits expense including directors' emoluments	180,983	169,465	125,548	106,987	–	–	287,970	169,465	125,548

13. LOSS ON DEEMED DISPOSAL OF SUBSIDIARIES

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

On 13 June 2007, the Group entered into a Products Participation Agreement ("PPA") with EGT. Pursuant to the PPA, during a term of six years from the date of entering the PPA, a subsidiary of the Company, Elixir Group Limited ("Elixir"), will provide agency services to source and refer gaming operators in certain specific countries to EGT for the entering into of the electronic gaming machine ("EGM") leases on a revenue sharing basis directly with EGT and to supply, at market prices, the necessary EGM to EGT for the fulfillment of its obligations under such leases.

In consideration of the services to be provided by Elixir and upon achievement of various milestones under the PPA, EGT will allot and issue a maximum of 55,000,000 shares, 88,000,000 warrants and amend the terms of the existing warrants previously issued to Elixir. In September 2007, the Group had achieved certain milestones under the PPA resulting in i) the issuance of 40,000,000 shares ("Second Shares") and 22,000,000 warrants ("Second Warrants") to Elixir; ii) the First Warrants became immediately exercisable and iii) the exercise price of 10,000,000 warrants included in the First Warrants is reduced by US$2.00 where the adjusted exercise price ranged from US$1.00 to

US$3.50. The exercise price of the remaining 6,000,000 First Warrants remained at US$2.65. As a result of the issuance of Second Shares and Second Warrants, an agency fee income of HK$1,232,057,000 was thus recognised, which represent the fair values of the Second Shares based on the market price of EGT's shares and the Second Warrants determined using binomial model, and EGT then became a subsidiary of the Group (see note 50 for details).

In October 2007, EGT completed a placement of shares to parties other than the Company. EGT remained as a subsidiary of the Company after the completion of EGT placement of shares and the loss on deemed disposal of partial interests in subsidiaries was included in the amount disclosed in note 14.

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

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

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

After the Termination Agreement, the Group agreed with EGT to settle the receivable from EGT relating to the EGM transactions of approximately HK$93,898,000 by twenty-four installments which are interest bearing at 5% per annum (note 38). The whole amount of approximately HK$93,898,000 would have been past due should there be no renegotiation of the term.

14. LOSS ON DEEMED DISPOSAL OF PARTIAL INTERESTS IN SUBSIDIARIES

During the year ended 31 December 2007, the Group's interest in EGT, a subsidiary acquired during the year 2007, decreased resulting from a placement of shares by EGT in October 2007 (see note 13 for details of the transactions with EGT).

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

15. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF INTERESTS IN ASSOCIATES

During the year ended 31 December 2008, the Group performed an impairment assessment on its interests in associates with reference to the recoverable amount and recognised an impairment loss of approximately HK$1,160,838,000 in relation to its interests in associates – EGT and Melco China Resorts (Holding) Limited ("MCR BC"). MCR BC is a company having its shares listed on TSX Venture Exchange in Toronto, Canada ("TSX Venture"). 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.

16. 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.

17. FINANCE COSTS

	Continuing operations			Discontinued operation			Consolidated		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest on:									
Bank borrowings wholly repayable within five years	937	8,104	3,410	19,862	–	–	20,799	8,104	3,410
Shareholder's loan	1,780	22,682	19,067	–	–	–	1,780	22,682	19,067
Effective interest expense on convertible loan notes	62,382	62,462	66,366	–	–	–	62,382	62,462	66,366
Imputed interest expense on long term payable	7,261	6,871	6,051	–	–	–	7,261	6,871	6,051
Interest expenses to suppliers and others	3,875	7,282	4,519	–	–	–	3,875	7,282	4,519
	76,235	107,401	99,413	19,862	–	–	96,097	107,401	99,413

18. PROFIT (LOSS) BEFORE TAX

	Continuing operations			Discontinued operation			Consolidated		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit (loss) before tax has been arrived at after charging:									
Auditor's remuneration	2,400	1,845	1,651	589	–	–	2,989	1,845	1,651
Allowance for doubtful debts	2,307	6,222	2,020	88	–	–	2,395	6,222	2,020
Allowance on other receivables *(note a)*	–	19,540	–	–	–	–	–	19,540	–
Allowance for inventories *(note b)*	–	220,030	22,363	–	–	–	–	220,030	22,363
Loss on disposal of property, plant and equipment	321	–	1,605	1	–	–	322	–	1,605
Loss on disposal of available-for-sale investment	–	–	1,172	–	–	–	–	–	1,172
Cost of agency service	14,551	–	–	–	–	–	14,551	–	–
and after crediting:									
Gross rental income	10,419	5,441	5,549	–	–	–	10,419	5,441	5,549
Less: direct operating expenses from investment properties that generated rental income during the year	(5,772)	(3,980)	(87)	–	–	–	(5,772)	(3,980)	(87)
Net rental income	4,647	1,461	5,462	–	–	–	4,647	1,461	5,462
Gain on disposal of property, plant and equipment	–	81	–	–	–	–	–	81	–

Note:

(a) The other receivable represented advance to a shareholder of an associate and impairment was recognised during the year ended 31 December 2008 due to the financial difficulty of this shareholder of an associate.

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

19. INCOME TAX CREDIT (EXPENSE)

	Continuing operations			Discontinued operation			Consolidated		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current tax:									
– Hong Kong	–	–	–	(7,196)	–	–	(7,196)	–	–
– Other jurisdictions	(1,473)	–	–	–	–	–	(1,473)	–	–
	(1,473)	–	–	(7,196)	–	–	(8,669)	–	–
Underprovision in prior years:									
– Hong Kong	(50)	–	–	–	–	–	(50)	–	–
– Other jurisdictions	–	(12)	–	–	–	–	–	(12)	–
Deferred taxation *(note 47)*:									
– Current year	1,592	(782)	(602)	(1,681)	–	–	(89)	(782)	(602)
– Attributable to a change in tax rate	–	(91)	–	–	–	–	–	(91)	–
	69	(885)	(602)	(8,877)	–	–	(8,808)	(885)	(602)

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% in 2007 to 16.5% in 2008 and 2009 effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for years ended 31 December 2008 and 2009.

No provision for Hong Kong Profits Tax for the years ended 31 December 2008 and 2009 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 profit (loss) before tax per consolidated statement of comprehensive income as follows:

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Profit (loss) before tax:			
Continuing operations	2,513,519	(2,352,329)	(1,447,814)
Discontinued operation	163,952	–	–
	2,677,471	(2,352,329)	(1,447,814)
Tax at Hong Kong Profits Tax rate of 17.5% for 2007, 16.5% for 2008 and 2009	468,557	(388,134)	(238,889)
Tax effect of share of results of associates and jointly controlled entities	118,519	45,881	179,327
Tax effect of expenses not deductible for tax purposes	63,280	353,294	77,520
Tax effect of income not taxable for tax purposes	(650,285)	(29,140)	(28,914)
Underprovision in respect of prior years, net	50	12	–
Tax effect of different tax rates of the subsidiaries operating in other jurisdictions	(1,574)	–	–
Tax effect of unrecognised deferred tax assets	14,388	22,849	16,051
Tax effect of deductible temporary difference not recognised	–	–	1,165
Utilisation of tax losses previously not recognised	(4,008)	(3,968)	(5,658)
Decrease in opening deferred tax balance resulting from a decrease in applicable tax rate	–	91	–
Others	(119)	–	–
Tax charge for the year	8,808	885	602

20. DISCONTINUED OPERATION

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

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

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

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

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

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year from discontinued operation			
Revenue	210,626	–	–
Other and investment income	1,334	–	–
Gain on deemed disposal of partial interests in subsidiaries	37,194	–	–
Finance costs	(19,862)	–	–
Expenses	(143,420)	–	–
Profit before tax	85,872	–	–
Income tax expense	(8,877)	–	–
Profit for the year	76,995	–	–
Gain on deemed disposal of subsidiaries	78,080	–	–
Profit for the year from discontinued operation	155,075	–	–
Cash flows from discontinued operation			
Net cash flows used in operating activities	(1,452,462)	–	–
Net cash flows from investing activities	612	–	–
Net cash flows from financing activities	1,442,633	–	–
Net cash outflows	(9,217)	–	–

21. DIRECTORS' EMOLUMENTS

For the years ended 31 December 2007, 2008 and 2009 the emoluments paid or payable to each of the seven directors were as follows:

2007

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

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

2008

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

2009

	Mr. Ho, Lawrence Yau Lung	Mr. Frank Tsui	Mr. Clarence Chung	Mr. Ng Ching Wo	Sir Roger Lobo	Dr. Lo Ka Shui	Mr. Sham Sui Leung	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	–	–	–	380	420	280	300	1,380
Other emoluments								
Salaries and other benefits	–	2,283	2,016	–	–	–	–	4,299
Retirement benefit scheme contributions	12	13	12	–	–	–	–	37
Share-based compensation	3,840	1,650	2,006	726	726	726	369	10,043
Total emoluments	3,852	3,946	4,034	1,106	1,146	1,006	669	15,759

Except for one director who waived emoluments of nil, approximately HK$202,000 and HK$1,200,000 in the years ended 31 December 2007, 2008 and 2009, respectively, no other directors waived any emoluments in the year ended 31 December 2007, 2008 and 2009. No emoluments have been paid to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

No share option and award share were granted to director of the Company during the year ended 31 December 2007. During the year ended 31 December 2008, 3,148,520 share options and 1,379,320 awarded shares were granted to directors of the Company. During the year ended 31 December 2009, 914,000 share options and 152,000 awarded shares were granted to directors of the Company. Further details are set out in note 49.

22. EMPLOYEES' EMOLUMENTS

Of five individuals with the highest emoluments in the Group, one is director of the Company for the year ended 31 December 2007 and three are directors of the Company for the years ended 31 December 2008 and 2009 whose emoluments are included in note 21 above. The emoluments of the remaining four individuals for the year ended 31 December 2007 and two individuals for the years ended 31 December 2008 and 2009 were as follows:

	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	28,587	6,042	3,303
Retirement benefit scheme contributions	36	24	21
Share-based compensation	100	5,332	4,761
	28,723	11,398	8,085

Their emoluments were within the following bands:

	Number of employees		
	2007	**2008**	**2009**
HK$2,500,001 to HK$3,000,000	–	–	1
HK$3,500,001 to HK$4,000,000	–	1	–
HK$4,500,001 to HK$5,000,000	2	–	–
HK$5,000,001 to HK$5,500,000	–	–	1
HK$7,500,001 to HK$8,000,000	–	1	–
HK$8,000,001 to HK$8,500,000	1	–	–
HK$11,000,001 to HK$11,500,000	1	–	–
	4	2	2

23. DIVIDENDS

The 2006 final dividend of HK1 cent per share amounted to approximately HK$12,282,000 was recognised as distribution during the year ended 31 December 2007. 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.

No dividend has been proposed since the end of the reporting period of 2009.

24. EARNINGS (LOSS) PER SHARE

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

	Continuing and discontinued operations			Continuing operations		
	2007	2008	2009	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Earnings (loss)						
Earnings (loss) for the purpose of basic earnings (loss) per share (profit (loss) for the year attributable to equity holders of the Company)	2,690,639	(2,356,819)	(1,449,685)	2,549,313	(2,356,819)	(1,449,685)
Effect of dilutive potential ordinary shares:						
Interest on convertible loan notes	62,382	–	–	62,382	–	–
Adjustment to the share of results of associates (2007: a subsidiary) based on potential dilution of their earnings per share	(475)	(111)	–	–	(111)	–
Earnings (loss) for the purpose of diluted earnings (loss) per share	2,752,546	(2,356,930)	(1,449,685)	2,611,695	(2,356,930)	(1,449,685)

	2007	2008	2009	2007	2008	2009
	'000	*'000*	*'000*	*'000*	*'000*	*'000*
Number of shares						
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	1,228,241	1,226,994	1,227,984	1,228,241	1,226,994	1,227,984
Effect of dilutive potential ordinary shares:						
Share options	9,978	–	–	9,978	–	–
Convertible loan notes	149,306	–	–	149,306	–	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	1,387,525	1,226,994	1,227,984	1,387,525	1,226,994	1,227,984

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 years ended 31 December 2008 and 2009 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 (see note 49) since their assumed exercise would result in a decrease in loss per share.

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

25. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2007	141,940
Net increase in fair value recognised in the consolidated income statement	10,060
At 31 December 2007 and 1 January 2008	152,000
Net increase in fair value recognised in the consolidated income statement	14,000
At 31 December 2008, 1 January 2009 and 31 December 2009	166,000

The carrying value of investment properties shown above comprises:

	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Properties in Hong Kong	85,000	106,000	106,000
Properties in Macau	67,000	60,000	60,000
	152,000	166,000	166,000

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

The fair value of the Group's investment properties as at 31 December 2007, 2008 and 2009 have been arrived at on the basis of a valuation carried out on those dates by Savills (Macau) Limited, an independent qualified professional valuer not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in similar location.

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

26. PROPERTY, PLANT AND EQUIPMENT

	Restaurant vessels, ferries and pontoons HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Gaming machine HK$'000	Motor vehicles HK$'000	Total HK$'000
COST							
At 1 January 2007	63,724	140	13,550	83,306	683	1,895	163,298
Exchange adjustments	–	–	8	24	–	26	58
Additions	8,761	–	13,640	18,394	137,338	1,041	179,174
Acquisition of subsidiaries	–	–	3,321	22,869	171,940	1,454	199,584
Disposal of subsidiaries	–	–	(9,196)	(42,182)	(309,080)	(1,666)	(362,124)
Disposals	–	–	(1,797)	(3,040)	–	(60)	(4,897)
At 31 December 2007 and 1 January 2008	72,485	140	19,526	79,371	881	2,690	175,093
Exchange adjustments	–	–	108	53	–	71	232
Additions	1,730	–	983	8,086	8,972	–	19,771
Disposals	(60)	(140)	(4,706)	(3,872)	–	(700)	(9,478)
Transferred to inventories	–	–	–	–	(9,853)	–	(9,853)
At 31 December 2008 and 1 January 2009	74,155	–	15,911	83,638	–	2,061	175,765
Additions	309	–	4,054	2,939	–	–	7,302
Disposal of a subsidiary	–	–	(610)	(5,295)	–	–	(5,905)
Disposals	(70)	–	(4,346)	(1,373)	–	–	(5,789)
At 31 December 2009	74,394	–	15,009	79,909	–	2,061	171,373
ACCUMULATED DEPRECIATION							
At 1 January 2007	43,000	57	9,944	69,670	34	648	123,353
Exchange adjustments	–	–	5	19	–	14	38
Provided for the year	3,688	3	4,174	7,744	4,310	462	20,381
Disposal of subsidiaries	–	–	(4,688)	(14,868)	(4,151)	(33)	(23,740)
Disposals	–	–	(1,733)	(2,807)	–	(35)	(4,575)
At 31 December 2007 and 1 January 2008	46,688	60	7,702	59,758	193	1,056	115,457
Exchange adjustments	–	–	–	6	–	19	25
Provided for the year	3,949	3	8,900	8,334	140	412	21,738
Disposals	–	(63)	(2,759)	(1,153)	–	(124)	(4,099)
Transferred to inventories	–	–	–	–	(333)	–	(333)
At 31 December 2008 and 1 January 2009	50,637	–	13,843	66,945	–	1,363	132,788
Provided for the year	4,122	–	2,928	7,239	–	368	14,657
Disposal of a subsidiary	–	–	(50)	(4,543)	–	–	(4,593)
Disposals	(70)	–	(3,191)	(742)	–	–	(4,003)
At 31 December 2009	54,689	–	13,530	68,899	–	1,731	138,849
CARRYING VALUES							
At 31 December 2007	25,797	80	11,824	19,613	688	1,634	59,636
At 31 December 2008	23,518	–	2,068	16,693	–	698	42,977
At 31 December 2009	19,705	–	1,479	11,010	–	330	32,524

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

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

27. OTHER INTANGIBLE ASSETS

	HK$'000
COST	
At 1 January 2007	3,839
Acquired on acquisition of subsidiaries	43,787
Disposal of subsidiaries	(45,626)
At 31 December 2007, 1 January 2008, 31 December 2008, 1 January 2009 and 31 December 2009	2,000
IMPAIRMENT	
At 1 January 2007	1,292
Disposal of subsidiaries	(1,292)
At 31 December 2007, 1 January 2008, 31 December 2008, 1 January 2009 and 31 December 2009	–
CARRYING VALUE	
At 31 December 2007, 2008 and 2009	2,000

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

28. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Cost of unlisted investments in jointly controlled entities	225,706	225,706	225,706
Share of post-acquisition losses and other comprehensive income, net of dividends received	(144,587)	(35,479)	(225,706)
	81,119	190,227	–

As at 31 December 2007, 2008 and 2009, 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

During the year ended 31 December 2007, the Group disposed of its interest in a jointly controlled entity, PAL Development Limited (“PAL”), to Power Way Group Limited (“Power Way”), which is formed by the Group and certain independent third parties (collectively referred as “Shareholders”). On the same date, after the transfer of the interest in PAL and certain subsidiaries (collectively the “Assets”) from the Shareholders to Power Way, Power Way then disposed of the Assets to MelcoLot Limited (formerly known as MelcoLottVentures Limited and Wafer Systems Limited), a company independent from the Shareholders, in exchange for MelcoLot Limited’s certain shares and convertible loan note. Power Way then becomes an associate of the Company. As a result of the disposal, the difference between carrying amount of the Group’s interest in PAL of approximately HK$104,775,000 and the Group’s relevant interest in the aggregate fair value of the assets held by Power Way of approximately HK$637,379,000 amounting to approximately HK$532,604,000 was recognised as a gain on disposal of interests in jointly controlled entities during the year ended 31 December 2007 (subsequent change in shareholding of MelcoLot Limited’s shares during the year ended 31 December 2008 are disclosed in notes 29 and 31). The fair value of the MelcoLot Limited’s shares and convertible loan note held by Power Way were determined with reference to the market price of MelcoLot Limited’s shares and by using binomial model, respectively.

As disclosed in note 43, Melco Crown SPV is a joint venture for the issuance of Exchangeable Bonds which can be convertible into shares of Melco Crown Entertainment Limited (“Melco Crown Entertainment”), an associate of the Group. The result of this jointly controlled entity attributable to the Group’s interests includes an expense of approximately HK$78,144,000, income of approximately HK$270,115,000 and expense of approximately HK$165,325,000 for the years ended 31 December 2007, 2008 and 2009, respectively, 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 43, 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 and the Company 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:

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Current assets	971,770	856,156	852,086
Non-current assets	167,025	121,809	76,592
Current liabilities	(83)	(13)	(8)
Non-current liabilities	(1,057,593)	(787,725)	(953,050)
Income recognised in profit or loss	16,228	295,353	19,616
Expense recognised in profit or loss	173,941	186,245	209,843

29. INTERESTS IN ASSOCIATES

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Cost of investment in associates			
Listed in the United States of America ("US")	6,795,754	6,794,183	7,321,298
Listed in Canada	–	339,601	339,601
Listed in Hong Kong	255,641	279,698	25,022
Unlisted	637,380	294,868	297,490
Gain on changes in interests in associates	1,549,361	1,597,827	1,449,756
Impairment losses recognised	–	(1,160,838)	(1,160,838)
Share of exchange and hedging reserves	(29,327)	(111,916)	(83,682)
Share of post-acquisition results	(519,538)	(906,713)	(1,817,800)
	8,689,271	7,126,710	6,370,847
Fair value of listed investments *(note a)*	16,521,660	4,249,846	4,790,964
Carrying amount of interests in associates with shares listed on respective stock exchanges	8,051,353	7,078,723	6,343,198

As at 31 December 2007, 2008 and 2009, the Group had interests in the following principal associates:

Name of associates	Form of business structure	Place of incorporation/ establishment and operation	Class shares held	Percentage of interest in ownership 2007	2008	2009	Principal activities
Melco Crown Entertainment *(Note b)*	Limited liability company	Cayman Islands/ Macau	Ordinary shares	37.85%	37.83%	33.45%	Operating of electronic gaming machine lounges, casino games of chance and other casino games and hotel business
Melco China Resort Investment Limited ("MCR")	Limited liability company	Cayman Islands/ PRC	Ordinary shares	45%	–	–	Operating of ski resorts
MCR BC *(Note b)*	Limited liability company	Canada/PRC	Ordinary shares and convertible preference shares	–	49.30%	49.30%	Operating of ski resorts
MelcoLot Limited *(Notes b and d)*	Limited liability company	Cayman Islands/ PRC	Ordinary shares	–	10.41%	11.09%	Lottery business management services and provision of network system integration solutions
Power Way *(Note c)*	Limited liability company	British Virgin Islands/ Hong Kong	Ordinary shares	54.79%	58.70%	58.70%	Investment holding
EGT *(Note b)*	Limited liability company	US/Philippines and Cambodia	Ordinary shares	39.86%	39.84%	39.84%	Provision of electronic gaming machines to gaming operators
iAsia Online Systems Limited ("iAsia")	Limited liability company	British Virgin Islands/ Hong Kong	Ordinary shares	100%	100%	20%	Provision of online trading software in Hong Kong
VC	Limited liability company	Hong Kong/ Hong Kong	Ordinary shares	43.50%	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 Market Enterprise of the Stock Exchange. The shares of EGT are listed on NYSE Amex.

(c) The Group holds 54.79% as at 31 December 2007, 58.7% as at 31 December 2008 and 2009 interest in Power Way. Pursuant to certain terms and conditions in the shareholders agreement, the financial and operating policies of Power Way require approval of the Group together with certain other shareholders of Power Way, as such, it is accounted for as an associate.

(d) In addition to the ordinary shares of MelcoLot Limited held by the Group, the Group also holds investment in the convertible loan note issued by MelcoLot Limited (see note 31). The Group's effective interest in MelcoLot Limited would be increased to 31.5% for year 2008 and 35.2% for year 2009 on a fully-dilute basis if all outstanding convertible loan notes issued by MelcoLot Limited were fully converted. The Group is the single largest shareholder of MelcoLot Limited. As such, the directors of the Company believe that the Group has significant influence over MelcoLot Limited after taking into account the potential voting right from the Group's investment in MelcoLot Limited's convertible loan note.

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

As at 31 December 2007, included in the cost of investment in associates is goodwill of approximately HK$738,099,000 arising on acquisition of a subsidiary, EGT, which became an associate of the Group. During the year ended 31 December 2008, the goodwill related to EGT of approximately HK$738,099,000 was fully impaired as disclosed in note 15.

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 28. 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.

The change in the Group's shareholding in respective associates during the years ended 31 December 2007, 2008 and 2009, respectively, are disclosed as below:

Year ended 31 December 2007

In January 2007, the underwriters of the global offering of ADSs of the associate, Melco Crown Entertainment, fully exercised the over allotment option granted to them. The exercise in full of the over allotment option resulted in the issuance by Melco Crown Entertainment of an additional 9,037,500 ADSs, representing 27,112,500 ordinary shares. In addition, Melco Crown Entertainment completed a second offering of 37,500,000 ADSs, representing 112,500,000 ordinary shares in November 2007. The Group's interest in Melco Crown Entertainment is therefore decreased from 42.34% to 37.85% and a gain on deemed disposal of partial interests in associates of approximately HK$1,549,361,000 was therefore recognised during the year ended 31 December 2007 which represents the increase in net assets attributable to the Group.

Year ended 31 December 2008

(a) During the year ended 31 December 2008, the Group and its associate, MCR, entered into a series of transactions for the purpose of the amalgamation of MCR with Virtual China Travel Services, Co., Ltd. ("VCTS"), a company listed on the TSX Venture, 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 C$0.001 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 (C$6,000,000). 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 (C$66,131,000); 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.

(b) During the year ended 31 December 2008, the Group's ownership interest in Melco Crown Entertainment decreased in 2008 resulting from the vesting of certain restricted shares issued by Melco Crown Entertainment. As a result, the Group therefore recognised a loss of approximately HK$3,136,000 which represents the decrease in net assets attributable to the Group.

(c) During the year ended 31 December 2008, the Group's ownership interest in VC decreased in 2008 resulting from the exercise of certain share options of VC by the option holders. As a result, the Group recognised a loss of approximately HK$514,000 which represents the decrease in net assets of VC attributable to the Group during the year ended 31 December 2008.

(d) As disclosed in note 28, 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 in 2008 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.

Year ended 31 December 2009

(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.

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

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Total assets	31,090,150	38,356,518	39,595,488
Total liabilities	(10,736,463)	(18,599,332)	(20,735,829)
Net assets	20,353,687	19,757,186	18,859,659
Group's share of net assets of associates	7,951,172	7,549,449	6,673,537
Less: Impairment loss	–	(422,739)	(422,739)
	7,951,172	7,126,710	6,250,798
Revenue	3,119,618	11,501,320	10,736,586
Loss for the year	(1,244,840)	(1,009,928)	(3,222,776)
Group's share of other comprehensive income (loss)	(29,327)	(82,589)	28,028
Group's share of losses and other comprehensive income (loss) of associates for the year	(548,865)	(469,764)	(868,573)

30. AVAILABLE-FOR-SALE INVESTMENTS

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Unlisted equity security *(Note)*	19,837	11,403	8,829
Equity securities listed in Hong Kong	136,500	27,690	–
	156,337	39,093	8,829

Note: Unlisted equity security which represents unlisted equity investment held by a subsidiary of the Company in an investment holding company is stated at fair value. The investee is engaged in investment in listed and unlisted equity and debt investment. An impairment loss of approximately nil, HK$8,434,000 and HK$2,574,000 is recognised with reference to the estimated fair value of underlying listed and unlisted equity and debt investment held by this investment holding company for the three years ended 31 December 2007, 2008 and 2009, respectively.

31. INVESTMENT IN CONVERTIBLE LOAN NOTE

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

During the year ended 31 December 2009, the Group acquired additional MelcoLot Limited's convertible loan note of principal amount of approximately HK$43,306,000 at a consideration of approximately HK$13,756,000. The fair value of the Group' investment in MelcoLot Limited's convertible loan note decreased by approximately HK$206,428,000 during the year ended 31 December 2008 and increased by approximately HK$75,410,000 during the year ended 31 December 2009 and the change in fair value was recognised in the profit or loss. The increase or decrease in fair value of the MelcoLot Limited's convertible loan note is partially due to the increase or decrease in share price of MelcoLot Limited.

As at 31 December 2008 and 2009, the fair value of the MelcoLot Limited's convertible loan note of approximately HK$168,573,000 and HK$257,739,000, respectively, is determined using binomial model with reference to closing quoted share price of MelcoLot Limited of HK$0.28 and HK$0.4 per share, respectively, and the inputs into the model by an independent valuer not connected to the Group were as follows:

	At date of distribution	**2008**	**2009**
Expected volatility	78.99%	87.22%	72.41%
Risk free interest rate	2.41%	1.05%	1.09%
Dividend	Nil	Nil	Nil
Borrowing rate	18.25%	31.36%	25.44%

The MelcoLot Limited's convertible loan note with a principal amount of HK$356.2 million and HK$399.5 million as at 31 December 2008 and 2009, respectively, can be converted into ordinary shares of MelcoLot Limited at a conversion price of HK$0.85 per ordinary share, subject to anti-dilutive adjustment, any time for a period of five years from date of issuance. The MelcoLot Limited's convertible loan note carries interest of 0.1% per annum and is subject to certain limitations on conversion and is redeemable at par at maturity date of 12 December 2012.

32. GOODWILL

	HK$'000
At 1 January 2007	16,878
Acquired on acquisition of a subsidiary	1,464,150
Deemed disposal of partial interests in subsidiaries	(248,518)
Deemed disposal of subsidiaries *(note 51)*	(1,223,955)
At 31 December, 2007, 1 January 2008 and 31 December 2008	8,555
Disposal of a subsidiary *(note 52)*	(4,442)
At 31 December 2009	4,113

Particulars regarding impairment testing on goodwill are disclosed in note 33.

33. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill with indefinite useful lives set out in note 32 has been allocated to the individual cash generating units ("CGUs"). The carrying amount of goodwill allocated to these units is as follows:

	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Technology business			
– Elixir	4,113	4,113	4,113
– iAsia	4,442	4,442	–
	8,555	8,555	4,113

During the year ended 31 December 2007, 2008 and 2009, management of the Group determines that there are no impairment of any of its CGUs containing goodwill.

The recoverable amounts of the above CGUs have been determined on the basis of value in use calculations. All value in use calculations use cash flow projections based on financial budgets approved by management covering a 3-years period, which represents the management's best estimate of future cash flow from the CGUs. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amounts of the above CGUs to exceed the aggregate recoverable amounts of the above CGUs.

34. INVENTORIES

	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Food and beverages	1,002	1,085	1,369
Consumables	3,262	639	573
Merchandise	21,500	55,928	4,639
	25,764	57,652	6,581

Included in the inventories are merchandise of nil, HK$52,875,000 and HK$2,497,000 carried at net realisable value as at 31 December 2007, 2008 and 2009, respectively.

35. TRADE RECEIVABLES

	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables *(Notes a & b)*	263,015	63,192	70,563
Allowance for doubtful receivables	(3,310)	(7,502)	(8,033)
	259,705	55,690	62,530

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.

	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	200,792	15,901	37,556
31 – 90 days	7,665	12,299	9,537
Over 90 days	51,248	27,490	15,437
	259,705	55,690	62,530

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$66,491,000, HK$43,595,000 and HK$27,872,000 as at 31 December 2007, 2008 and 2009, respectively, 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:

	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	8,786	3,806	2,898
31-90 days	7,540	12,299	9,537
Over 90 days	50,165	27,490	15,437
Total	66,491	43,595	27,872

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

Movement in the allowance for doubtful debts

	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Balance at the beginning of the year	9,700	3,310	7,502
Impairment recognised	2,395	6,222	2,020
Amounts written off as uncollectible	–	(2,030)	(585)
Disposal of a subsidiary	(8,785)	–	(904)
Balance at the end of the year	3,310	7,502	8,033

36. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments as at 31 December 2007, 2008 and 2009 represents equity securities listed in Hong Kong of approximately HK$430,000, HK$150,000 and HK$300,000, respectively.

37. DERIVATIVE FINANCIAL INSTRUMENTS

The Group subscribed certain warrants issued by EGT which are recognised as derivative financial instruments. As at 31 December 2007, 2008 and 2009, the Group had 10,000,000, 10,000,000 and 10,000,000 warrants outstanding issued by EGT, respectively. These outstanding warrants have exercise price ranged from US$1.00 to US$3.50 which are exercisable until 31 December 2010. As at 31 December 2007, 2008 and 2009, fair value of the EGT warrants amounted to approximately HK$223,626,000, nil and nil, respectively.

In addition, the Group subscribed 1,000,000 warrants, after consolidation on a 10 to 1 basis, issued by MCR BC (note 29) during the year ended 31 December 2008. These warrants have exercise price of C$4 which are exercisable until May 2010. As at 31 December 2007, 2008 and 2009, the fair value of the MCR BC warrants amounted to nil, approximately HK$64,000 and HK$34,000, respectively, and was recognised as derivative financial assets in the consolidated statement of financial position. The fair value of the MCR BC warrants was determined with reference to the quoted bid price at the end of reporting period. The MCR BC warrants were subsequently expired on 27 May 2010.

The fair value of the EGT warrants at 31 December 2007, 2008 and 2009 were calculated using the binomial model carried out on that date by Jones Lang LaSalle Sallmanns Limited, independent qualified professional valuers not connected with the Group. The inputs into the model were as follows:

	2007	2008	2009
Share price	HK$33.45 (equivalent US$4.30)	HK$1.01 (equivalent US$0.13)	HK$1.95 (equivalent US$0.25)
Expected volatility	53%	76.72%	83.22%
Risk-free rate	3.29%	0.77%	0.49%
Dividend yield	Nil	Nil	Nil

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

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

During the year ended 31 December 2009, a decrease in fair value of approximately HK$30,000 regarding the derivative financial instruments represents the decrease in fair value of MCR BC warrants.

38. AMOUNTS DUE FROM (TO) ASSOCIATES

Included in amounts due from associates are:

i) amount due from an associate of approximately HK$578,578,000, HK$578,578,000 and HK$578,578,000 which was unsecured, interest bearing at HIBOR, HIBOR plus 1.5% and HIBOR per annum as at year ended 31 December 2007, 2008 and 2009, respectively, 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 nil, approximately HK$93,898,000 and HK$73,076,000, as at year ended 2007, 2008 and 2009, respectively, which was unsecured and interest bearing at 5% per annum. Approximately HK$45,779,000 out of the HK$93,898,000 as at 31 December 2008 and HK$24,333,000 out of the HK$73,076,000 as at 31 December 2009 was repayable within twelve months from the end of the reporting period and the remaining HK$48,119,000 as at 31 December 2008 and HK$48,743,000 as at 31 December 2009 was 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 nil, approximately HK$173,976,000 and HK$194,103,000 as at year ended 2007, 2008 and 2009, respectively. As at 31 December 2008, amount due from this associate of approximately HK$173,976,000 was unsecured and repayable on 31 March 2010. As at 31 December 2009, amount due from this associate of 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. As at 31 December 2008 and 2009, amounts due from this associate of approximately HK$93,733,000 and HK$106,675,000, respectively, was interest bearing at 3-month London Interbank Offered Rate ("LIBOR") plus 3% per annum and the remaining balances are 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 16, the Group recognised an impairment in respect of amount due from this associate amounting to nil, nil and approximately HK$189,506,000 during the year ended 31 December 2007, 2008, and 2009, respectively; and

iv) amount due from an associate of approximately HK$241,900,000, HK$41,900,000 and nil as at year ended 2007, 2008 and 2009, respectively, which was unsecured, interest bearing at HIBOR plus 1.25% to 2% per annum and repayable upon written notice given from the Company. 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 81%, 90% and 89% of amount due from associates as at 31 December 2007, 2008 and 2009, respectively.

39. PLEDGE OF ASSETS

At 31 December 2007 and 2008, the Group placed a bank deposit of HK$972,500,000 (equivalent to US$125,000,000), respectively, 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.

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 of approximately HK$947,000, HK$947,000 and HK$947,000 and investment properties of approximately HK$85,000,000 HK$166,000,000 and HK$166,000,000 as at 31 December 2007, 2008 and 2009, respectively, were pledged for obtaining the banking facilities for certain subsidiaries of the Group.

(b) The Group's bank deposits of nil, approximately HK$5,791,000 and HK$7,041,000 as at 31 December 2007, 2008 and 2009, respectively, were pledged to a bank for the completion of a sale agreement with a customer, which is expected to be completed within one year.

The deposits carry fixed interest rate of about 3.2%, 3.0% and 0.04% per annum for the year ended 31 December 2007, 2008 and 2009, respectively.

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

Bank deposits with original maturity over three months carry fixed interest rate at about nil, 2.9% and 1.9% per annum for the year ended 31 December 2007, 2008 and 2009, respectively. Bank balances and cash comprises cash held by the Group and short-term bank deposits with an original maturity of three months or less and carries prevailing deposit interest rate at about 2.0%, 2.8% and 0.1% per annum for the three years ended 31 December 2007, 2008 and 2009, respectively.

41. TRADE PAYABLES

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

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	125,781	132,973	76,246
31-90 days	3,406	19,857	13,086
Over 90 days	33,342	40,356	3,431
	162,529	193,186	92,763
Trade payable by instalment *(note)*	–	198,156	17,550
	162,529	391,342	110,313
Analysed as:			
Current liabilities	162,529	309,664	110,313
Non-current liabilities	–	81,678	–
	162,529	391,342	110,313

Note: The amount represents trade payable to vendors by instalment for one year, which bearing interest at 2.5% to 12% per annum for the year ended 31 December 2008 and 5% per annum for the year ended 31 December 2009.

42. SHAREHOLDER'S LOAN

As at 31 December 2007 and 2008, the amount was unsecured, interest bearing at prime rate plus 3% per annum and repayable within twelve months from the end of reporting period. The amount was fully settled during the year ended 31 December 2009.

43. 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 exercise 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 2007 and 2008, the financial guarantee liability of HK$212,242,000 and HK$167,025,000, respectively, represented the unamortised amount in which HK$45,217,000 as at 31 December 2007 and HK$45,217,000 as at 31 December 2008 was shown as current liability and the remaining amount of approximately HK$167,025,000 as at 31 December 2007 and HK$121,808,000 as at 31 December 2008 was shown as non-current liability. 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 expected amount that the Group is required to settle the financial guarantee.

During the years ended 31 December 2007, 2008 and 2009, an amount of approximately HK$45,217,000, HK$45,217,000 and HK$20,837,000, respectively, 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 during the years ended 31 December 2007, 2008 and 2009, respectively, net of additional provision of financial guarantee liability of nil, nil and approximately HK$24,380,000, respectively.

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

44. BANK BORROWINGS

	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Secured	–	83,000	66,600
Unsecured	80,000	230,000	150,000
	80,000	313,000	216,600
Carrying amount repayable:			
Within one year	80,000	96,400	166,400
More than one year, but not exceeding two years	–	166,400	50,200
More than two years, but not exceeding five years	–	50,200	–
	80,000	313,000	216,600
Less: Amounts due within one year shown under current liabilities	(80,000)	(96,400)	(166,400)
	–	216,600	50,200

All the bank borrowings are denominated at HK$, the functional currency of relevant group entities, with interest rates of HIBOR plus 0.75%, HIBOR plus 1.2% to 3.0% and HIBOR plus 1.2% to 1.5% per annum for the year ended 31 December 2007, 2008 and 2009, respectively.

45. 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 2007, 2008 and 2009, the effective interest rate of the liability component is 6.25% per annum.

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

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Carrying amounts at the beginning of the year	1,093,459	999,399	1,061,861
Redemption of convertible loan notes	(153,349)	–	–
Interest on convertible loan notes *(Note 17)*	62,382	62,462	66,366
Interest paid	(3,093)	–	–
Carrying amount at the end of the year	999,399	1,061,861	1,128,227
Analysed for reporting purpose as:			
Current liabilities	–	–	1,128,227
Non-current liabilities	999,399	1,061,861	–
	999,399	1,061,861	1,128,227

46. LONG TERM PAYABLE

The amount represents payable to Crown Limited arising from an arrangement to dispose of certain subsidiaries of the Company to Melco Crown Entertainment during the year ended 31 December 2006. The principal amount of HK$180,000,000 is stated at amortised cost and is unsecured, non-interest bearing and originally repayable in May 2008.

During the years ended 31 December 2007, 2008 and 2009, the repayment date of the long term payable of HK$180,000,000 has been extended by one year each such that a gain of approximately HK$9,656,000, HK$2,517,000 and HK$8,010,000 was recognised, respectively. As at 31 December 2007, 2008 and 2009, the effective interest rate of the long term payable was 3.1%.

47. DEFERRED TAX ASSETS

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

	Accelerated tax depreciation	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2007	(10,262)	13,043	2,781
Disposal of subsidiaries	–	(1,100)	(1,100)
(Charge) credit to profit or loss for the year	(1,325)	1,236	(89)
At 1 January 2008	(11,587)	13,179	1,592
(Charge) credit to profit or loss for the year	(2,217)	1,435	(782)
Effect of change in tax rate	664	(755)	(91)
At 1 January 2009	(13,140)	13,859	719
Credit (charge) to profit or loss for the year	46	(648)	(602)
Disposal of a subsidiary	119	(236)	(117)
At 31 December 2009	(12,975)	12,975	–

As at 31 December 2007, 2008 and 2009, the Group has unused estimated tax losses of approximately HK$279,550,000, HK$402,679,000 and HK$699,816,000, respectively. As at 31 December 2007, 2008 and 2009, deferred tax asset has been recognised in respect of HK$75,306,000, HK$84,004,000 and HK$78,641,000 tax losses, respectively, to the extent that realisation of the related tax benefit through future taxable profit is probable. As at 31 December 2007 and 2008, a deferred tax asset is recognised on the consolidated statement of financial position in view that the relevant subsidiary in the Technology segment has been profit making in recent years. No deferred tax asset has been recognised in respect of the remaining tax loss due to the unpredictability of future profit streams. As at 31 December 2007, included in unrecognised tax losses of HK$3,184,000, HK$2,826,000 and HK$5,996,000 will expire in 2008, 2009 and 2010, respectively. As at 31 December 2008, included in unrecognised tax losses of HK$2,826,000, HK$5,996,000 and HK$1,438,000 will expire in 2009, 2010 and 2011, respectively. Included in unrecognised tax losses are loss of approximately HK$240,455,000 as at 31 December 2009 will expire in 2011. All other losses may be carried forward indefinitely.

At the end of 31 December 2007, 2008 and 2009, the Group has deductible temporary differences of nil, nil and approximately HK$7,063,000, respectively. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

48. SHARE CAPITAL

	Number of ordinary shares			Amount		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**
				HK$'000	*HK$'000*	*HK$'000*
Authorised:						
At the beginning of the year of HK$0.5 each	1,400,000,000	2,000,000,000	2,000,000,000	700,000	1,000,000	1,000,000
Increase in authorised ordinary share capital *(note)*	600,000,000	–	–	300,000	–	–
At the end of the year of HK$0.5 each	2,000,000,000	2,000,000,000	2,000,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid:						
At the beginning of the year of HK$0.5 each	1,228,150,716	1,228,475,716	1,229,331,116	614,075	614,238	614,666
Exercise of shares options	325,000	855,400	487,823	163	428	244
Issue of shares under the share subscription scheme	–	–	440,000	–	–	220
At the end of the year of HK$0.5 each	1,228,475,716	1,229,331,116	1,230,258,939	614,238	614,666	615,130

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

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

As at 31 December 2009, the Company's 1,339,813 and 261,672 issued shares with an aggregate nominal value of approximately HK$670,000 and HK$131,000 were held by the Company's share purchase scheme and share subscription scheme, respectively.

49. LONG TERM INCENTIVE SCHEME

Share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations and to encourage the participants to work towards enhancing value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Scheme was adopted by the Company at its extraordinary general meeting held on 8 March 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

At the annual general meeting held on 8 June 2009, the shareholders of the Company approved amendments to the Scheme. As a result of the amendments, the categories of participants who are entitled to participate in the Scheme have been expanded to (1) directors of the Company or any of its subsidiaries (within the meaning of the Hong Kong Companies Ordinance) or associated companies (companies in which the Company directly or indirectly holds not less than 20% and not more than 50% of its shareholding); and (2) executives and employees of any consultants, professional and other advisers to the Company or any of its subsidiaries or associated companies.

Under the Scheme, the board of directors (the "Board") of the Company may, at its discretion, grant share options to any eligible person to subscribe for shares of the Company, subject to the terms and conditions stipulated therein. Eligible participants of the Scheme include any executive or non-executive directors, executives, employees, consultants, professionals and other advisers of the Group (including the Company and its subsidiaries) and its associated companies.

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

As at 31 December 2009, a total of 83,786,334 shares of the Company (representing approximately 6.81% of the issued share capital of the Company) may be issued upon exercise of all options which may be granted under the Scheme and a total of 23,834,729 shares of the Company (representing approximately 1.94% of the issued share capital of the Company) may be issued upon exercise of all options which had been granted and yet to be exercised under the Scheme.

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

The offer of a grant of share options may be accepted within 14 days from the date of the offer, upon payment of a nominal consideration of HK$1.00 in total by the grantee. The exercise period of the share options granted is determinable by the Board and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of grant.

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

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

Details of the share options outstanding and movements during the years ended 31 December 2007, 2008 and 2009 are as follows:

Category of participant	Number of share options: Outstanding to 1.1.2007	Reclassification during the year	Exercised during the year	Lapsed during the period	Outstanding at 31.12.2007 and 1.1.2008	Reclassified during the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12. 2008 & 1.1.2009	Granted during the year	Reclassified during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2009	Date of grant of share options	Share price at date of grant of share options	Exercise price of share options
Directors	140,000	-	-	-	140,000	-	-	(140,000)	-	-	-	-	-	-	-	17.09.2004	1.6875	1.6875
Directors[5]	200,000	-	-	-	200,000	-	-	-	-	200,000	-	-	-	-	200,000	01.02.2005	7.4	7.4
Directors[6]	400,000	-	-	-	400,000	-	-	-	-	400,000	-	-	-	-	400,000	13.02.2006	11.75	11.80
Directors[7]	900,000	-	-	-	900,000	-	-	-	-	900,000	-	-	-	-	900,000	03.04.2006	15.7	15.87
Directors[8]	-	-	-	-	-	-	204,000	-	-	204,000	-	-	-	-	204,000	28.02.2008	11.5	11.5
Directors[9]	-	-	-	-	-	-	1,316,520	-	-	1,316,520	-	-	-	-	1,316,520	01.04.2008	10.7	10.804
Directors[10]	-	-	-	-	-	-	1,628,000	-	-	1,628,000	-	-	-	-	1,628,000	17.12.2008	2.02	2.02
Directors[11]	-	-	-	-	-	-	-	-	-	-	914,000	-	-	-	914,000	03.04.2009	2.99	2.99
Sub-total	1,640,000	-	-	-	1,640,000	-	3,148,520	(140,000)	-	4,648,520	914,000	-	-	-	5,562,520			
Employees[12]	1,020,000	(400,000)	-	-	620,000	-	-	(70,000)	-	550,000	-	-	-	-	550,000	17.09.2004	1.6875	1.6875
Employees[13]	585,400	380,000	(25,000)	(35,000)	905,400	-	-	(625,400)	(50,000)	230,000	-	-	-	-	230,000	01.02.2005	7.4	7.4
Employees[14]	3,400,000	650,000	-	-	4,050,000	(1,470,000)	-	-	(50,000)	2,530,000	-	(1,560,000)	-	(20,000)	950,000	13.02.2006	11.75	11.8
Employees[15]	-	-	-	-	-	(39,000)	1,163,100	-	-	1,124,100	-	(647,200)	-	(26,300)	450,600	01.04.2008	10.7	10.804
Employees[16]	-	-	-	-	-	-	1,844,000	-	-	1,844,000	-	(546,000)	(487,823)	(319,668)	490,509	17.12.2008	2.02	2.02
Employees[17]	-	-	-	-	-	-	-	-	-	-	1,402,000	(238,000)	-	(259,000)	905,000	03.04.2009	2.99	2.99
Sub-total	5,005,400	630,000	(25,000)	(35,000)	5,575,400	(1,509,000)	3,007,100	(695,400)	(100,000)	6,278,100	1,402,000	(2,991,200)	(487,823)	(624,968)	3,576,109			
Others	200,000	-	(200,000)	-	-	-	-	-	-	-	-	-	-	-	-	19.02.2004	1.2025	1.2025
Others	400,000	(380,000)	-	-	20,000	-	-	(20,000)	-	-	-	-	-	-	-	01.02.2005	7.4	7.4
Others[18, 23]	9,600,000	400,000	(100,000)	-	9,900,000	-	-	-	-	9,900,000	-	-	-	-	9,900,000	17.09.2004	1.6875	1.6875
Others[19, 23]	1,200,000	(650,000)	-	-	550,000	1,470,000	-	-	(300,000)	1,720,000	-	1,560,000	-	-	3,280,000	13.02.2006	11.75	11.8
Others[20, 23]	-	-	-	-	-	39,000	45,900	-	-	84,900	-	647,200	-	-	732,100	01.04.2008	10.7	10.804
Others[21, 23]	-	-	-	-	-	-	-	-	-	-	-	546,000	-	-	546,000	17.12.2008	2.02	2.02
Others[22, 23]	-	-	-	-	-	-	-	-	-	-	-	238,000	-	-	238,000	03.04.2009	2.99	2.99
Sub-total	11,400,000	(630,000)	(300,000)	-	10,470,000	1,509,000	45,900	(20,000)	(300,000)	11,704,900	-	2,991,200	-	-	14,696,100			
Total	18,045,400	-	(325,000)	(35,000)	17,685,400	-	6,201,520	(855,400)	(400,000)	22,631,520	2,316,000	-	(487,823)	(624,968)	23,834,729			
Share options exercisable at year ended					10,375,000					12,519,500					15,255,533			

Notes:

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

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

3. As at 31 December 2009, the Company had 23,834,729 options outstanding under the Scheme. The exercise in full of the outstanding options would, under the present capital structure of the Company, result in the issue of 23,834,729 additional ordinary shares of the Company and additional share capital of approximately HK$11,917,000 and share premium of approximately HK$118,696,000 before issuance expenses.

4. During the year ended 31 December 2009, no share options were cancelled under the Scheme. In respect of the share options exercised during the year, the weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK$4.78.

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

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

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

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

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

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

11. Among the 914,000 share options, 296,500 share options may be exercised during the period from 3 April 2010 to 2 April 2019, 296,500 share options may be exercised during the period from 3 April 2011 to 2 April 2019 and 321,000 share options may be exercised during the period from 3 April 2012 to 2 April 2019.

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

13. The 230,000 share options may be exercised during the period from 17 March 2008 to 7 March 2012.

14. Among the 950,000 share options, 272,000 share options may be exercised during the period from 1 April 2008 to 31 January 2016, 287,000 share options may be exercised during the period from 1 April 2010 to 31 January 2016, 261,000 share options may be exercised during the period from 1 April 2012 to 31 January 2016, 42,000 share options may be exercised during the period from 3 April 2008 to 31 January 2016, 42,000 share options may be exercised during the period from 3 April 2010 to 31 January 2016 and 46,000 share options may be exercised during the period from 3 April 2012 to 31 January 2016.

15. Among the 450,600 share options, 150,200 share options may be exercised during the period from 1 April 2009 to 31 March 2018, 150,200 share options may be exercised during the period from 1 April 2010 to 31 March 2018 and 150,200 share options may be exercised during the period from 1 April 2011 to 31 March 2018.

16. Among 490,509 share options, 332 share options may be exercised during the period from 1 May 2009 to 16 December 2018, 70,498 share options may be exercised during the period from 1 August 2009 to 16 December 2018, 109,331 share options may be exercised during the period from 1 November 2009 to 16 December 2018, 155,163 share options may be exercised during the period from 1 February 2010 to 16 December 2018 and 155,185 share options may be exercised during the period from 1 May 2010 to 16 December 2018.

17. Among the 905,000 share options, 299,000 share options may be exercised during the period from 3 April 2010 to 2 April 2019, 299,000 share options may be exercised during the period from 3 April 2011 to 2 April 2019 and 307,000 share options may be exercised during the period from 3 April 2012 to 2 April 2019.

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

19. Among the 3,280,000 share options, 1,040,500 share options may be exercised during the period from 1 April 2008 to 31 January 2016, 1,022,000 share options may be exercised during the period from 1 April 2010 to 31 January 2016, 1,067,500 share options may be exercised during the period from 1 April 2012 to 31 January 2016, 55,000 share options may be exercised during the period from 3 April 2008 to 31 January 2016, 45,000 share options may be exercised during the period from 3 April 2010 to 31 January 2016 and 50,000 share options may be exercised during the period from 3 April 2012 to 31 January 2016.

20. Among the 732,100 share options, 249,500 share options may be exercised during the period from 1 April 2009 to 31 March 2018, 241,300 share options may be exercised during the period from 1 April 2010 to 31 March 2018 and 241,300 share options may be exercised during the period from 1 April 2011 to 31 March 2018.

21. Among 546,000 share options, 91,000 share options may be exercised during the period from 1 February 2009 to 16 December 2018, 91,000 share options may be exercised during the period from 1 May 2009 to 16 December 2018, 91,000 share options may be exercised during the period from 1 August 2009 to 16 December 2018, 91,000 share options may be exercised during the period from 1 November 2009 to 16 December 2018, 91,000 share options may be exercised during the period from 1 February 2010 to 16 December 2018 and 91,000 share options may be exercised during the period from 1 May 2010 to 16 December 2018.

22. Among the 238,000 share options, 79,000 share options may be exercised during the period from 3 April 2010 to 2 April 2019, 79,000 share options may be exercised during the period from 3 April 2011 to 2 April 2019 and 80,000 share options may be exercised during the period from 3 April 2012 to 2 April 2019.

23. Others represent the former directors/employees or consultants of the Group.

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

During the year ended 31 December 2009, share options were granted on 3 April 2009. The estimated fair values of the options granted on that date is approximately HK$4,291,000. The fair value per option granted during the year ended 31 December 2009 is HK$1.85.

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

	Shares options grant date			
	28 February 2008	**1 April 2008**	**17 December 2008**	**3 April 2009**
Exercise price	HK$11.5	HK$10.884	HK$2.02	HK$2.99
Expected volatility	51.84%	53.34%	68.94%	68.562%
Expected life	6.0 years	5.5 – 6.0 years	5.4 years	6 years
Risk-free rate	2.571%	2.132% – 2.220%	1.290%	1.742%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 4.23 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expenses of approximately HK$9,657,000, HK$13,271,000 and HK$14,744,000 for the year ended 31 December 2007, 2008 and 2009, respectively, in relation to the share options granted by the Group.

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

Share award schemes

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

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

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

Share Purchase Scheme

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

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

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

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

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

Movements of the awarded shares, which were granted pursuant to the terms of the rules and trust deed of the Share Purchase Scheme, during the years ended 31 December 2008 and 2009 are set out below:

	Number of awarded shares												
Category of participant	Outstanding at 1.1.2008	Awarded during the year	Vested during the year	Outstanding at 31.12.2008 & 1.1.2009	Awarded during the year	Reclassified during the year	Vested during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31.12.2009	Share price at date of award	Date of award	Vesting date
Directors	–	60,000	(60,000)	–	–	–	–	–	–	–	11.50	28.02.2008	31.03.2008
Directors	–	60,000	–	60,000	–	–	(60,000)	–	–	–	11.50	28.02.2008	31.03.2009
Directors	–	60,000	–	60,000	–	–	–	–	–	60,000	11.50	28.02.2008	31.03.2010
Directors	–	16,000	–	16,000	–	–	(16,000)	–	–	–	11.50	28.02.2008	01.04.2009
Directors	–	16,000	–	16,000	–	–	–	–	–	16,000	11.50	28.02.2008	01.04.2010
Directors	–	16,000	–	16,000	–	–	–	–	–	16,000	11.50	28.02.2008	01.04.2011
Directors	–	131,790	(131,790)	–	–	–	–	–	–	–	10.70	01.04.2008	01.04.2008
Directors	–	131,765	–	131,765	–	–	(131,765)	–	–	–	10.70	01.04.2008	01.04.2009
Directors	–	131,765	–	131,765	–	–	–	–	–	131,765	10.70	01.04.2008	01.04.2010
Directors	–	125,998	–	125,998	–	–	(125,998)	–	–	–	2.02	17.12.2008	01.02.2009
Directors	–	125,998	–	125,998	–	–	(125,998)	–	–	–	2.02	17.12.2008	01.05.2009
Directors	–	125,998	–	125,998	–	–	(125,998)	–	–	–	2.02	17.12.2008	01.08.2009
Directors	–	125,998	–	125,998	–	–	(125,998)	–	–	–	2.02	17.12.2008	01.11.2009
Directors	–	125,998	–	125,998	–	–	–	–	–	125,998	2.02	17.12.2008	01.02.2010
Directors	–	126,010	–	126,010	–	–	–	–	–	126,010	2.02	17.12.2008	01.05.2010
Directors	–	–	–	–	50,500	–	–	–	–	50,500	2.99	03.04.2009	03.04.2010
Directors	–	–	–	–	50,500	–	–	–	–	50,500	2.99	03.04.2009	03.04.2011
Directors	–	–	–	–	51,000	–	–	–	–	51,000	2.99	03.04.2009	03.04.2012
Sub-total	–	1,379,320	(191,790)	1,187,530	152,000	–	(711,757)	–	–	627,773			
Employees	–	105,320	(105,320)	–	–	–	–	–	–	–	10.70	01.04.2008	01.04.2008
Employees	–	105,320	–	105,320	–	(10,550)	(94,770)	–	–	–	10.70	01.04.2008	01.04.2009
Employees	–	105,320	–	105,320	–	(55,990)	–	(13,665)	–	35,665	10.70	01.04.2008	01.04.2010
Employees	–	–	–	–	46,500	(10,500)	–	(9,500)	–	26,500	2.99	03.04.2009	03.04.2010
Employees	–	–	–	–	46,500	(10,500)	–	(9,500)	–	26,500	2.99	03.04.2009	03.04.2011
Employees	–	–	–	–	49,000	(11,000)	–	(10,000)	–	28,000	2.99	03.04.2009	03.04.2012
Sub-total	–	315,960	(105,320)	210,640	142,000	(98,540)	(94,770)	(42,665)	–	116,665			
Others *(note)*	–	–	–	–	–	10,550	(7,550)	(2,000)	(1,000)	–	10.70	01.04.2008	01.04.2009
Others *(note)*	–	–	–	–	–	55,990	–	(2,000)	(1,000)	52,990	10.70	01.04.2008	01.04.2010
Others *(note)*	–	–	–	–	–	10,500	–	–	–	10,500	2.99	03.04.2009	03.04.2010
Others *(note)*	–	–	–	–	–	10,500	–	–	–	10,500	2.99	03.04.2009	03.04.2011
Others *(note)*	–	–	–	–	–	11,000	–	–	–	10,500	2.99	03.04.2009	03.04.2012
Sub-total	–	–	–	–	–	98,540	(7,550)	(4,000)	(2,000)	84,990			
Total	–	1,695,280	(297,110)	1,398,170	294,000	–	(814,077)	(46,665)	(2,000)	829,428			

Note: Others represent the former employees of the Group.

Share Subscription Scheme

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

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

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

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

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

Movements of the awarded shares, which were granted pursuant to the terms of the rules and trust deed of the Share Subscription Scheme, during the years ended 31 December 2008 and 2009 are set out below:

	Number of awarded shares										
Category of participant	Outstanding at 1.1.2008	Awarded during the year	Outstanding at 31.12.2008 & 1.1.2009	Awarded during the year	Reclassified during the year	Vested during the year	Lapsed during the year	Outstanding at 31.12.2009	Share price at date of award	Date of award	Vesting date
Employees	–	49,665	49,665	–	–	(49,665)	–	–	2.02	17.12.2008	01.02.2009
Employees	–	49,665	49,665	–	–	(49,665)	–	–	2.02	17.12.2008	01.05.2009
Employees	–	49,665	49,665	–	–	(49,665)	–	–	2.02	17.12.2008	01.08.2009
Employees	–	49,665	49,665	–	(14,666)	(34,999)	–	–	2.02	17.12.2008	01.11.2009
Employees	–	49,665	49,665	–	(14,666)	–	(10,000)	24,999	2.02	17.12.2008	01.02.2010
Employees	–	49,675	49,675	–	(14,670)	–	(10,000)	25,005	2.02	17.12.2008	01.05.2010
Employees	–	–	–	44,000	(2,500)	–	(4,500)	37,000	2.99	03.04.2009	03.04.2010
Employees	–	–	–	44,000	(2,500)	–	(4,500)	37,000	2.99	03.04.2009	03.04.2011
Employees	–	–	–	54,000	(3,000)	–	(6,000)	45,000	2.99	03.04.2009	03.04.2012
Sub-total	–	298,000	298,000	142,000	(52,002)	(183,994)	(35,000)	169,004			
Others *(note)*	–	–	–	–	14,666	(14,666)	–	–	2.02	17.12.2008	01.11.2009
Others *(note)*	–	–	–	–	14,666	–	–	14,666	2.02	17.12.2008	01.02.2010
Others *(note)*	–	–	–	–	14,670	–	–	14,670	2.02	17.12.2008	01.05.2010
Others *(note)*	–	–	–	–	2,500	–	–	2,500	2.99	03.04.2009	03.04.2010
Others *(note)*	–	–	–	–	2,500	–	–	2,500	2.99	03.04.2009	03.04.2011
Others *(note)*	–	–	–	–	3,000	–	–	3,000	2.99	03.04.2009	03.04.2012
Sub-total	–	–	–	–	52,002	(14,666)	–	37,336			
Total	–	298,000	298,000	142,000	–	(198,660)	(35,000)	206,340			

Note: Others represent the former employees of the Group.

The fair value of awarded shares is measured at the market price of the Company's share at date of grant. The Company and the Group recognised the total expenses of approximately HK$7,365,000 and HK$4,683,000 for the years ended 31 December 2008 and 2009, respectively, in relation to the share award schemes.

50. ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2007, the Company acquired 53% interests in EGT in accordance to the PPA as disclosed in note 13.

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

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

Goodwill arising on acquisition of EGT was in relation to the anticipated profit generated from the EGM business referred by the Group as disclosed in note 13.

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

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

Note: Subsequently in December 2007, as described in note 13, EGT became an associate of the Group.

51. DEEMED DISPOSAL OF SUBSIDIARIES

As disclosed in notes 13 and 20, EGT and VC were deemed disposed of during the year ended 31 December 2007. The net assets of EGT and VC at the date of disposal were as follows:

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

The impact of VC disposed of on the Group's results and cash flows in the current and prior year are disclosed in note 20.

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

52. DISPOSAL OF A SUBSIDIARY

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

	HK$'000
NET ASSETS DISPOSED OF:	
Property, plant and equipment	1,312
Deferred tax assets	117
Trade and other receivables	6,833
Amounts due from group companies	100
Amounts due from associates	3,822
Bank balances and cash	12,819
Trade and other payables	(12,903)
Amounts due to group companies	(116)
Net assets attributable to interests disposed of	11,984
Attributable goodwill	4,442
	16,426
Loss on disposal	(1,804)
Interests in associates	(2,622)
Total consideration	12,000
Satisfied by:	
Consideration receivable	8,000
Cash received	4,000
	12,000
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(12,819)
Less: Cash received	4,000
	(8,819)

HK$4,000,000 of the consideration receivable will be settled within twelve months from the date of disposal and is included in prepayments, deposits and other receivables of the Group as at 31 December 2009. The remaining consideration receivable of HK$4,000,000 will be settled after twelve months from the date of disposal and is included in long term receivables of the Group as at 31 December 2009.

During the year ended 31 December 2009, iAsia contributed revenue of approximately HK$20,244,000, profit for the period of approximately HK$3,365,000 and net cash outflow of approximately HK$7,417,000 to the Group.

53. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2007, the interest in EGT was acquired through the provision of the agency services as disclosed in notes 13 and 51, respectively.

During the year ended 31 December 2008, the Group had the following non-cash transactions:

i) Capitalisation of amount due from an associate of approximately HK$291 million (note 29);

ii) Deemed capital contribution of approximately HK$5,770,000 on non-interest bearing amount due from an associate (note 38);

iii) Investment in convertible loan note and interest in MelcoLot Limited distributed by Power Way (note 31); and

iv) Transfer of gaming machine of approximately HK$9,520,000 from property, plant and equipment to inventories.

During the year ended 31 December 2009, the Group had the following non-cash transactions:

i) HK$8,000,000 out of the HK$12,000,000 consideration for disposal of iAsia was unsettled; and

ii) Investment in Melco Crown Entertainment of HK$525,150,000 by way of dividends in specie distributed by MCEAH (note 28).

54. OPERATING LEASES

(a) The Group as lessee

Minimum lease payments under operating leases during the years ended 31 December 2007, 2008 and 2009 in respect of office premises were approximately HK$20,709,000, HK$23,484,000 and HK$18,241,000, respectively.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	21,002	10,461	10,981
In the second to fifth year inclusive	18,114	21,969	1,786
Over five years	3,396	–	–
	42,512	32,430	12,767

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for a term ranging from 2 to 5 years.

(b) The Group as lessor

At the end of each reporting periods, the Group has entered into lease arrangements with certain tenants for its investment properties. Certain of the properties held have committed tenants for the next one to four years. At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments.

		At 31 December	
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	8,616	8,334	7,511
In the second to fifth year inclusive	8,780	20,192	13,705
Over five years	1,751	–	–
	19,147	28,526	21,216

55. 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 Group 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 28 and 43.

56. RETIREMENT BENEFIT SCHEMES

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

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

57. RELATED PARTY TRANSACTIONS

(a) The trade receivables include amounts due from related companies in relation to implementation of technology solution systems of approximately HK$9,782,000, HK$27,616,000 and HK$27,947,000 for the years ended 31 December 2007, 2008 and 2009, respectively.

The trade receivables include amount due from an associate, in relation to the implementation of technology solution systems of approximately HK$224,001,000, HK$882,000 and HK$16,911,000 for the years ended 31 December 2007, 2008 and 2009, respectively.

As at 31 December 2007 and 2008, the prepayments, deposits and other receivables include approximately HK$194,000 and HK$194,000 due from related companies, respectively.

(b) The accruals and other payable include deposits received from related companies in relation to implementation of technology solution system of approximately HK$9,268,000, HK$53,750,000 and HK$14,517,000 for the years ended 31 December 2007, 2008 and 2009, respectively.

(c) As at 31 December 2007, 2008 and 2009, the Group and the Company has a convertible loan note with principal amount of HK$1,175,000,000 issued to a related company.

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

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Catering income earned from directors of the Company and related companies	4,390	6,058	6,450
Consultancy fee received from an associate	927	724	–
Insurance premiums charged by a related company	1,010	923	1,018
Interest income received from associates	27,908	29,494	19,723
Rental income received from an associate	3,430	3,770	3,773
Overseas travels, entertainment and gifts expenses charged by an associate	246	353	94
Interest expense on shareholder's loan	1,780	22,682	19,067
Interest expense on convertible loan note to related companies	62,382	62,462	66,366
Revenue from implementation of technology solution system to related companies	59,105	53,832	51,746
Revenue from implementation of technology solution system to associates	79,308	100,791	423,312
Sales of electronic gaming machines to associates	–	265,659	–
Purchase of electronic gaming machines from associates	–	129,992	–
Service income received from associates	12,581	19,768	11,634
Souvenirs sold to related companies	572	593	833
Sundry income received from associates	–	–	1,169

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

(e) The Company placed a bank deposit of HK$972,500,000, HK$972,500,000 (equivalent to US$125,000,000) and nil as at 31 December 2007, 2008 and 2009, respectively, which has been pledged under an undertaking in connection with the loan facilities obtained by Melco Crown Entertainment (note 55).

(f) As disclosed in note 13, the Group provided certain agency services to EGT during the year ended 31 December 2007. In return, EGT issued 40,000,000 Second Shares and 22,000,000 Second Warrants such that it became a subsidiary of the Company. The fair value of such agency services provided was recognised with reference to the fair value of the 40,000,000 Second Shares and 22,000,000 Second Warrants received by the Group.

(g) Compensation of key management personnel

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

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Short-term benefits	30,425	23,856	14,593
Post-employment benefits	118	101	105
Share-based payments	7,103	15,558	15,951
	37,646	39,515	30,649

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

B. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the Financial Information, the Group had the following event after the reporting period.

(a) 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 45 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 Financial Information of the Group.

(b) On 19 April 2010, the Group entered into a conditional agreement for the disposal of 100% issued capital of a wholly-owned subsidiary, Elixir International Limited, at a consideration of approximately HK$371,000.

(i) Included below are the consolidated results of Elixir International Limited during the years ended 31 December 2007, 2008 and 2009 which have been included in the consolidated statements of comprehensive income of the Group.

	Year ended 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	475,713	459,672	560,910
Purchases and changes in inventories of finished goods	(405,344)	(617,555)	(541,795)
Other income	4,273	4,066	22,790
Employee benefits expense	(20,689)	(31,205)	(20,435)
Depreciation of property, plant and equipment	(1,415)	(2,042)	(1,878)
Other expenses	(25,630)	(59,408)	(12,892)
Finance costs	(1,294)	(7,158)	(4,368)
Profit (loss) before tax	25,614	(253,630)	2,332
Income tax expense	(3,074)	(11)	–
Profit (loss) and total comprehensive income (loss) for the year	22,540	(253,641)	2,332

(ii) Included below are the consolidated assets and liabilities of Elixir International Limited as at 31 December 2007, 2008 and 2009 which have been included in the consolidated statements of financial position of the Group:

	At 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Non-current asset			
Plant and equipment	2,653	2,680	1,249
Amount due from a related company	–	48,120	48,743
	2,653	50,800	49,992
Current assets			
Inventories	22,714	55,529	4,285
Trade and other receivables	115,447	239,665	116,785
Amounts due from related companies	–	45,778	24,740
Amounts due from fellow subsidiaries	236,560	9,159	6,222
Pledged bank deposits	85	5,876	7,041
Bank balances and cash	99,377	46,558	45,721
	474,183	402,565	204,794
Current liabilities			
Trade and other payables	218,998	364,771	127,125
Amounts due to fellow subsidiaries	2,766	30,244	4,634
Amount due to ultimate holding company	35,776	84,539	227,860
Amount due to immediate holding company	125,911	55,529	56,232
Tax payable	3,223	82	82
	386,674	535,165	415,933
Net current assets (liabilities)	87,509	(132,600)	(211,139)
Total assets less current liabilities	90,162	(81,800)	(161,147)
Non-current liability			
Trade payables – due after one year	–	81,679	–
	90,162	(163,479)	(161,147)
Capital and reserves			
Share capital	485	485	485
Reserves	89,677	(163,964)	(161,632)
	90,162	(163,479)	(161,147)

(iii) Included below are the consolidated cash flows of Elixir International Limited during the years ended 31 December 2007, 2008 and 2009 which have been included in the consolidated statements of cash flows of the Group:

	Year ended 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Profit (loss) before tax	25,614	(253,630)	2,332
Adjustments for:			
Interest expense	1,294	7,158	4,368
Loss on disposal of property, plant and equipment	–	179	1,162
Depreciation of plant and equipment	1,415	2,042	1,878
Allowance for inventories	–	219,219	22,363
Allowance for doubtful debts	1,030	7,704	1,460
Operating cash flows before movements in working capital	29,353	(17,328)	33,563
Decrease (increase) in inventories	5,352	(242,514)	28,881
Decrease (increase) in trade and other receivables	42,728	(131,920)	121,012
(Increase) decrease in amounts due from fellow subsidiaries	(196,265)	227,401	2,937
Increase (decrease) in trade and other payables	72,344	227,449	(343,398)
(Decrease) increase in amounts due to fellow subsidiaries	(2,298)	27,478	(1,536)
Net cash (used in) from operations	(48,786)	90,566	(158,541)
Income tax paid	(4,278)	(3,152)	–
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(53,064)	87,414	(158,541)
INVESTING ACTIVITIES			
(Advance to) repayment from a related company	–	(93,898)	20,821
Proceeds on disposal of plant and equipment	–	–	59
Purchase of plant and equipment	(1,349)	(11,769)	(1,667)
Increase in pledged bank deposits	(86)	(5,791)	(1,165)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(1,435)	(111,458)	18,048

	Year ended 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
FINANCING ACTIVITIES			
Advance from ultimate holding company	14,060	48,763	143,321
Advance from (repayment to) immediate holding company	71,184	(70,380)	703
Interest paid	(1,294)	(7,158)	(4,368)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	83,950	(28,775)	139,656
NET DECREASE IN CASH AND CASH EQUIVALENTS	29,451	(52,819)	(837)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	69,926	99,377	46,558
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	99,377	46,558	45,721

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group have been prepared in respect of any period subsequent to 31 December 2009.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 April 2010, being the latest practicable date for the purpose of ascertaining certain information relating to this indebtedness statement, the Group had outstanding secured bank borrowings of approximately HK$58.4 million, unsecured bank borrowings of approximately HK$150 million, convertible loan note with a principal amount of HK$1,175 million ("Convertible Loan Note") and unsecured long term payable of HK$180 million. Among the secured and unsecured bank borrowings, amounts of approximately HK$16.4 million and HK$192 million were due within one year and due after one year, respectively. The Convertible Loan Note with a principal amount of HK$1,175 million will mature in September 2013 and has an early redemption option granted to the Company and the holder of the Convertible Loan Note, respectively, to early redeem the Convertible Loan Note at any time prior to its maturity. Long term payable with a principal amount of HK$180 million which will fall due in May 2012 represented balance payable to Crown Limited arising from an arrangement to dispose of certain subsidiaries of the Company to an associate of the Company, Melco Crown Entertainment Limited, during the year ended 31 December 2006.

The Group also recognised a financial guarantee liability of approximately HK$153.2 million as its current liabilities. The financial guarantee liability was related to the exchangeable bonds ("Exchangeable Bonds") with an aggregate principal amount of HK$1,950 million issued by Melco Crown SPV Limited ("Melco Crown SPV"), a jointly controlled entity of the Group and Crown Limited. The Exchangeable Bonds are jointly and severally guaranteed by the Company and Crown Limited.

Save as disclosed in the above paragraphs, and apart from intra-group liabilities and normal trade payables, the Group did not have any mortgages, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance lease or hire purchase commitment, liabilities under acceptances or acceptance credit, or any guarantee or other contingent liabilities outstanding at the close of business on 30 April 2010.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account (i) the Remaining Group's internal resources; (ii) the presently available banking and other facilities; (iii) the proceeds from the disposal; (iv) the fact that Great Respect Limited has stated that it would not exercise the Redemption Option in respect of the Convertible Loan Notes of HK$1,175 million until after one year from the date of this circular unless the Company has sufficient working capital to redeem the whole or part of the Convertible Loan Notes, and, in the absence of unforeseen circumstances, the Remaining Group will have sufficient working capital for a period of 12 months from the date of this circular.

4. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

(I) For the year ended 31 December 2009

Business review

(a) Core businesses

Gaming business in Macau

The Group operates its core gaming business in Macau through Melco Crown Entertainment. 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, the Company 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 MOP$30 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

EGT made solid progress in the gaming market in South East Asia and posted strong financial results in 2009, achieving record revenue in the fourth quarter and positive adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) 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 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 S.A. ("**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, Inc. ("**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.

(b) Non-core businesses

Ski resort business in China

MCR 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 took place in April 2010, the Group's shareholding in MCR was reduced to 28.7%. This transaction is in line with Melco's divestment strategy for non-gaming investments.

Liquidity and financial resources/capital structure/charge on Group assets

For the financial year ended 31 December 2009, 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, which were financed by shareholders' funds of HK$6,681.8 million, minority interests of HK$27.3 million, current liabilities of HK$1,608.1 million, and non-current liabilities of HK$220.7 million. The Group's current ratio, expressed as current assets over current liabilities, was maintained at a level of 0.7. 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. 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.

For the financial year ended 31 December 2009, the Group recorded a net cash outflow of HK$86.1 million. As of 31 December 2009, cash and cash equivalents of the Group totalled HK$153.8 million. The gearing ratio, expressed as a percentage of total borrowings (including bank borrowings, long term payable and convertible loan note) over shareholders' fund, was at a satisfactory level of 0.23 time as of 31 December 2009. The Group adopts a prudent treasury policy. 88% of bank balances and cash (including bank deposits with original maturity over three months) are put in short term fixed deposits. All borrowings, and bank balances and cash are mainly denominated in HK$ and US$ to maintain stable exposure to foreign exchange risks. The Group's bank deposits of approximately HK$7.0 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 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. Such undertaking and related bank deposit were 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, of which HK$66.6 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. Details of bank borrowings and indebtedness of the Group are disclosed in Appendix I to this circular.

Exposure to fluctuations in exchange rates

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 HK$ and MOP$. As the impact from foreign exchange exposure is minimal, no hedging against foreign currency exposure is necessary.

Employees

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. 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.

The Company has adopted (i) a share option scheme under which the Company may grant share options to the Directors/employees to subscribe for the shares of the Company and (ii) two share incentive award schemes, namely, The Melco Share Purchase Scheme Trust and The Melco Share Award Scheme Trust, under which the Company may grant awarded shares to the Directors/employees.

The Company 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.

Material acquisitions and disposals of subsidiaries and associated companies and significant investments

During the year ended 31 December 2009, the Group entered into the following disposals:

On 23 February 2009, Melco Technology entered into a sale and purchase agreement (the "**iAsia Agreement**") with Glory Stand to sell certain shares of iAsia Online owned by Melco Technology (the "**iAsia 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 Glory Stand, has given a guarantee in respect of Glory Stand's performance as prescribed in the iAsia Agreement. Upon completion of the transaction, Melco Technology holds 20% of the issued share capital of iAsia Online. A put option is available to Melco Technology 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 American depositary share ("**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 and the Company entered into a placing agreement with Kim Eng Securities (Hong Kong) Limited (the "**Placing Agent**"), pursuant to which Melco Financial agreed to appoint 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 shares of VC 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 VC ceased to be an associated company of the Group.

On 2 February 2010, MCR announced that it had entered into definitive agreements with WHL in which WHL would subscribe for 100,000,000 common shares in the capital of the MCR ("**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 would 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 took place in April 2010, the Group's shareholding in MCR was reduced to 28.7%.

Future plans for material investments or capital assets

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

Contingent liabilities

On 5 September 2007, the Company had given an undertaking in connection with the HK$13.65 billion (US$1.75 billion) loan facilities obtained by Melco Crown Gaming. The undertaking given by the Company was to ensure that a contingent contribution of up to a maximum amount of HK$972.5 million (US$125 million) would 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 had, until September 2009, 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 had, 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 was required to be maintained under the contingent contribution undertaking had 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 of HK$1,950 million (US$250 million) issued by Melco Crown SPV Limited ("**Melco Crown SPV**"), the jointly controlled entity of the Group, which are jointly and severally guaranteed by the Company and Crown Limited.

(II) For the year ended 31 December 2008

Business review

Gaming business in Macau

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

Thanks to a drastic turnaround of performance at Crown Macau, Melco Crown Entertainment nearly quadrupled its net revenue as compared to last year. Despite the fact that its flagship property, City of Dreams, is still under construction and therefore not yet open in 2008, Melco Crown Entertainment managed to just about break-even at net profit level (after depreciation and interest expenses) in financial year ended 31 December 2008. According to data and information available to us, Crown Macau consistently ranked among the top 2 casinos in Macau in terms of VIP gaming revenue. In order to align the company's range of product offerings in preparation for the impending opening of City of Dreams, a re-branding effort of Crown Macau is underway and the launch of a new brand name is scheduled within the next two months.

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

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

Gaming machine revenue participation business in South East Asia

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

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

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

Lottery management business in Asia

MelcoLot, in which the Group has an effective interest of 31.5% on a fully diluted basis (assuming full conversion of all outstanding convertibles), made its first step of expansion move beyond China during the year ended 31 December 2008. In September 2008, MelcoLot acquired the entire issued share capital of KTeMS Co Ltd, a South Korean company which owns a 14% equity interest in Nanum Lotto Co. Ltd., a consortium holding exclusive rights to operate off-line lotto games in South Korea. In December 2008, MelcoLot secured Intralot, an Athens-listed global leader in gaming technology and services, as its second largest shareholder. This move greatly enhances the company's technological know-how and significantly improves the company's chances of success when bidding for future projects in China and other Asian countries.

Ski resort business in China

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

Financial services business in Hong Kong and Macau

During the year ended 31 December 2008, VC Financial Group Limited, a wholly-owned subsidiary of VC, which is owned as to 43.4% by the Group, entered into a shareholders' agreement with Macquarie Macau to establish a 50:50 joint venture company ("**JV Company**"). In September 2008, the JV Company acquired a plot of land in Macau and intends to form a private equity property development fund or a syndicated property development project in the first half of 2009, which will focus on developing mid- to high-end residential properties in Macau. This initiative will diversify VC's product portfolio and enhance its fee-based revenue stream, and in turn contribute to its overall financial performance in future.

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

Liquidity and financial resources/capital structure/charge on Group assets

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

As of 31 December 2008, total assets of the Group were HK$10,406.1 million which were financed by shareholders' funds of HK$7,899.5 million, minority interests of HK$26.0 million, current liabilities of HK$826.2 million, and non-current liabilities of HK$1,654.4 million. The Group's current ratio, expressed as current assets over current liabilities, was maintained at a satisfactory level of 1.1.

During the year ended 31 December 2008, the Group recorded a net cash outflow of HK$69 million. As of 31 December 2008, cash and cash equivalents of the Group totaled HK$239.9 million. The gearing ratio, expressed as a percentage of total borrowings (including bank borrowings, convertible loan note, trade payables due after one year, long term payable and shareholder's loan) over shareholders' fund, was at a satisfactory level of 0.24 time as of 31 December 2008. The Group adopts a prudent treasury policy. 77% of bank balances and cash (including bank deposits with original maturity over three months) are put in short-term fixed deposits. All borrowings, and cash and bank balances are mainly denominated in HK$ and US$ to minimize exposure to foreign exchange risks. Also, as at 31 December 2008, the Company placed a bank deposit of HK$972.5 million (equivalent to US$125 million) for an undertaking in connection with the loan facilities obtained by Melco Crown Entertainment. The Group's bank deposits of approximately HK$5.8 million were pledged to a bank for the completion of a sale agreement with a customer.

As at 31 December 2008, the Group's total convertible loan note amounted to HK$1,061.9 million, which was non-interest bearing and due in 2010. The Group's trade payables due after one year amounted to HK$81.7 million, which is payable by installments at interest rates ranging between 2.5% to 12% per annum. This amount is not repayable within twelve months from the balance sheet date. The amount due to Crown Limited by the Group amounted to HK$172.5 million, which was unsecured, non-interest bearing and due in 2010. The Group's shareholder's loan amounted to HK$250 million, which was unsecured, interest bearing at prime rate plus 3% and repayable within twelve months from the balance sheet date. As at 31 December 2008, the Group's total available banking facilities from various banks amounted to HK$313.9 million, of which HK$83 million was secured by pledging HK$166 million of the Group's investment properties, and HK$0.9 million was secured by pledging the same amount of the Group's time deposit. As at 31 December 2008, the Group utilized HK$230 million and HK$83.9 million of unsecured and secured banking facilities respectively.

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 HK$ and MOP$. As the impact from foreign exchange exposure is minimal, no hedging against foreign currency exposure is necessary.

Employees

The total number of employees (excluding the employees of Melco Crown Entertainment, MelcoLot, MCR, EGT and VC) was 388 as of 31 December 2008, as compared to the number of employees of 523 as of 31 December 2007. This is primarily because the number of employees as of 31 December 2008 excludes the employees of VC which is now an associate, rather than a subsidiary, of the Group. Among the 388 employees, 311 are located in Hong Kong and the rest are based in Macau and the PRC. The related staff costs for the year ended 31 December 2008, including directors' emoluments, share options expenses and share award expenses, amounted to HK$169.5 million. The total number of the Group's employees (including the employees of Melco Crown Entertainment, MelcoLot, MCR, EGT and VC) was 7,333 as of 31 December 2008.

Material acquisitions, disposals and significant investments

During the year ended 31 December 2008, the Group had entered into/completed the following acquisitions and disposals.

On 27 May 2008, the shareholders of Melco China Resort Investment Limited ("**MCR Cayman**"), previously owned as to 45% by the Group, entered into a sale and purchase agreement with MCR and agreed to sell 100% of the equity interests in MCR Cayman. Upon completion of the transaction, MCR Cayman became a wholly-owned subsidiary of MCR. On 28 May 2008, MCR completed the reverse take-over of Virtual China Travel Services, Co., Ltd. by way of an amalgamation and its common shares and warrants commenced trading on the TSX Venture Exchange on the same date. As a result, the Group's effective ownership interest in the associate has been changed to 49.3% but the net assets of MCR attributable to the Group have increased.

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

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

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

Upon completion of the transaction, Melco Technology will hold 20% of the issued share capital of iAsia Online. A put option is available to Melco Technology 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.

Future plans for material investments or capital assets

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

Contingent liabilities

On 5 September 2007, the Company has given an undertaking in connection with the HK$13.65 billion (US$1.75 billion) loan facilities obtained by Melco Crown Gaming, 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 by the facility agent acting on behalf of the lenders, to pay contingencies (if any) associated with the construction of the City of Dreams project of Melco Crown Gaming in the absence of other available funding for the completion of the project. The Company maintains a standby letter of credit for the said maximum amount to support its contingent obligation. Crown Limited has given a similar undertaking and entered into a similar arrangement in connection with the said loan facilities.

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

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

(III) For the year ended 31 December 2007

Business review

Crown Macau, the Company's first hotel-cum-casino project targeting high rollers, opened on 12 May 2007. It is operated under Nasdaq-listed Melco Crown Entertainment, a joint venture originally formed by the Group with Publishing and Broadcasting Limited, which gaming business (including its interests in Melco Crown Entertainment) has been acquired by Crown Limited. According to Melco Crown Entertainment's estimates, Crown Macau's market share jumped from under 2% in May to around 18% by February 2008, making it the biggest VIP gaming venue in Macau.

Development of the City of Dreams has been on track. Superstructure work on the main podium is approximately 95% completed. The Hard Rock Hotel Tower and Crown Towers already had 30 floors and 12 floors completed respectively. Furthermore, Melco Crown Entertainment continued to review and develop plans for the project on the Macau peninsula. Since the conditional agreement to purchase the project on the Macau peninsula is subject to certain conditions precedent under the control of third party, Melco Crown Entertainment had asked for an extension of the completion date. It remains committed to developing the project.

In June 2007, EGL entered into a products participation agreement with EGT. According to the terms of the products participation agreement, EGL would refer gaming operators in Asian countries to EGT for slot machine revenue participation contracts. In consideration of EGL's services, EGT, after obtaining its shareholders approval for the transaction in September 2007, has allotted and issued securities to EGL. As at 31 March 2008, EGL is the principal shareholder of EGT holding approximately 39.9% of the total issued share capital of EGT. As of 31 March 2008, EGT has established presence in the Philippines and Cambodia and is prepared to open a representative office in Ho Chi Minh City, Vietnam during 2008.

During the year ended 31 December 2007, the Group also entered the Asian lottery market by setting up PAL Development Limited ("**PAL**"). PAL is principally engaged in various lottery related businesses in China. During the year ended 31 December 2007, PAL was injected into MelcoLot in return for a strategic stake. Following the injection of the Company's lottery business, MelcoLot is now principally engaged in various lottery-related businesses and ventures in China and through PAL, it manages approximately over 500 venues in China for the Sports Lottery. Currently, PAL provides a comprehensive range of lottery-related services including venue management consultancy services, lottery terminal distribution and wholesale distribution of scratch cards. MelcoLot also manufactures lottery vending terminals for both China Sports Lottery Administration Centre and China Welfare Lottery Issuance Centre through its point of sales ("**POS**") equipment manufacturing subsidiary Wu Sheng Computer Technology (Shanghai) Co., Ltd.

Subsequent to 31 December 2007, made the first move outside of the China market to enter the South Korean lottery market through an agreement to acquire the entire issued share capital of its Korean business partner, KTeMs Co., Ltd. ("**KTeMs**"), which is a consortium member holding the exclusive license to operate the national lotto games in South Korea.

During the year ended 31 December 2007, MCR, a 45%-owned associate of the Group, was set up to facilitate the development of Group's ski resort business in China. Working with the world's top industry experts, MCR has acquired a large and exceptional portfolio comprising 5 existing ski resorts in Heilongjiang Province, Jilin Province and Beijing with established market positions and exciting development potential.

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 and short-term bank borrowings.

As of 31 December 2007, total assets of the Group were HK$12,314.2 million which were financed by shareholders' funds of HK$10,319.1 million, minority interests of HK$22.4 million, current liabilities of HK$638.1 million, and non-current liabilities of HK$1,334.6 million. The Group's current ratio, expressed as current assets over current liabilities, was maintained at a satisfactory level of 2.5.

During the year ended 31 December 2007, the Group recorded a net cash outflow of HK$901 million. As of 31 December 2007, cash and cash equivalents of the Group totaled HK$308.9 million. The gearing ratio, expressed as a percentage of total borrowings (including bank borrowings, convertible loan notes, long term payable and shareholder's loan) over shareholders' fund, was at a satisfactory level of 0.15 time as of 31 December 2007. The Group adopts a prudent treasury policy. Cash and bank balance consisted of about 51% of cash and bank balances and 49% of short term fixed deposits. All borrowings and cash and bank balances are mainly denominated in HK$ and US$ to maintain stable exposure to foreign exchange risks. Also, as at 31 December 2007, the Company placed a bank deposit of HK$972.5 million (equivalent to US$125 million) for an undertaking in connection with the loan facilities obtained by Melco Crown Entertainment.

As of 31 December 2007, the Group's total convertible loan note amounted to HK$999.4 million which was non-interest bearing and due in 2010. The Group's long term payable amounted to HK$168.1 million, which was unsecured, non-interest bearing and due in 2009. As of 31 December 2007, the Group's total available banking facilities from various banks amounted to HK$130.7 million, of which none was secured by margin clients listed securities, HK$49.8 million was secured by pledging HK$85 million of the Group's investment properties, and HK$0.9 million was secured by pledging the same amount of the Group's time deposit. As of 31 December 2007, the Group utilized HK$80 million and HK$0.9 million of unsecured and secured banking facilities respectively.

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 HK$ and MOP$. As the impact from foreign exchange exposure is minimal, no hedging against foreign currency exposure is necessary.

Employees

As a result of the Group's business expansion, the number of employees (excluding the employees of Melco Crown Entertainment, PAL and MCR) has increased from 485 as of 31 December 2006 to 523 as of 31 December 2007. This represents an over 8% increase and 38 new positions within the Group. Among the 523 employees, 431 are located in Hong Kong and the remaining is based in Macau and the PRC. The majority of the newly created positions are for our Macau business and Melco corporate office. The related staff costs for the year ended 31 December 2007, including Directors' emoluments and share options expenses, amounted to HK$288.0 million. The total number of the Group's employees (including the employees of Melco Crown Entertainment, PAL and MCR) is 7,355 as of 31 December 2007.

Material acquisitions and disposals

During the year ended 31 December 2007, the Group had entered into/completed the following acquisitions and disposals.

In January 2007, EGL subscribed one million new shares and 16 million warrants of EGT, a company listed on the American stock exchange, pursuant to a securities purchase agreement. The 16 million warrants subscribed have exercise prices ranged from US$2.65 to US$5.50 and are exercisable by EGL at any time during the period from 31 December 2007 to 31 December 2010.

On 13 June 2007, EGL entered into a products participation agreement with EGT. Pursuant to the products participation agreement, EGL will provide agency services to source and refer gaming operators in the Asian countries to EGT for the entering into of the electronic gaming machine leases on a revenue sharing basis directly with EGT and to supply, at market prices, the necessary electronic gaming machine to EGT for the fulfillment of its obligations under such leases.

In consideration of the services to be provided by EGL and upon achievement of certain milestones under the products participation agreement, EGT has allotted and issued a total of 40,000,000 new shares and 88,000,000 warrants to EGL in early September 2007. Based on the total 41,000,000 outstanding shares of EGT, representing approximately 53.5% of EGT's then enlarged outstanding shares held by EGL, EGT was regarded as a subsidiary of the Group.

However, following the completion of the private placement of its 15,000,000 new shares by EGT to various institutional investors in the U.S. in October 2007 and the subsequent sale of 16,000,000 readily exercisable EGT warrants by EGL in December 2007, the shareholding interest in EGT held by EGL decreased to approximately 39.9% and EGT ceased to be a subsidiary and becomes an associated company of the Company since late December 2007.

Subsequent to the deemed disposal, the Group entered into an agreement with EGT to convert 12,000,000 warrants to 4,800,000 shares of EGT for additional interest in this associate.

The Group's investment and financial services division operates via VC, which offers corporate finance advisory services as well as brokering and dealing for clients in securities, futures and options contracts. VC became an associate in September 2007 following the second share placement by VC and was then deemed disposed of. The investment and financial services segment was thus discontinued during the year ended 31 December 2007.

Future plans for material investments or capital assets

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

Contingent liabilities

As of 31 December 2007, the Company provides a total guarantee of approximately HK$8,453,000 to a supplier and an insurance company in respect of the goods purchased and service provided by its subsidiaries and the amount utilised is nil.

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

The Company and 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.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following unaudited pro forma consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of cash flows have been prepared on the basis of (i) consolidated statement of financial position of the Group at 31 December 2009, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2009, which have been extracted from the accountants' report of the Group as set out in Appendix I to the circular; and (ii) pro forma adjustments directly attributable to the proposed very substantial disposal in relation to the disposal of Elixir International Limited concerned and not relating to future events or decisions, for the purpose of illustrating the effect of the Disposal as if it had taken place on 31 December 2009 for the unaudited pro forma consolidated statement of financial position and on 1 January 2009 for the unaudited pro forma consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 December 2009.

This unaudited pro forma financial information has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Disposal completed as at 31 December 2009 or at any future date and of the financial results and cash flows of the Group for the year ended 31 December 2009 had the Disposal been completed as at 1 January 2009 or for any future period.

Unaudited Pro Forma Consolidated Statement of Financial Position

	Consolidated statement of financial position of the Group as at 31 December 2009	Pro forma adjustments			Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 December 2009
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
		Note 1	*Note 2*		
Non-current Assets					
Investment properties	166,000	–	–		166,000
Property, plant and equipment	32,524	(1,249)	–		31,275
Other intangible assets	2,000	–	–		2,000
Interests in associates	6,370,847	–	–		6,370,847
Amounts due from associates	627,321	(48,743)	48,743	(v)	627,321
Available-for-sale investments	8,829	–	–		8,829
Investment in convertible loan note	257,739	–	–		257,739
Long term receivable	4,000	–	–		4,000
Goodwill	4,113	–	(4,113)	(vi)	–
	7,473,373				7,468,011
Current Assets					
Inventories	6,581	(4,285)	–		2,296
Trade receivables	62,530	(57,531)	–		4,999
Prepayments, deposits and other receivables	91,512	(59,254)	–		32,258
Held-for-trading investments	300	–	–		300
Derivative financial instruments	34	–	–		34
Amounts due from group companies	–	(6,222)	6,222	(iv)	–
Amounts due from associates	34,827	(24,740)	24,928	(v)	35,015
Pledged bank deposits	7,988	(7,041)	–		947
Bank deposit with original maturity over three months	707,024	–	–		707,024
Bank balances and cash	153,754	(45,721)	371	(i)	148,404
		–	40,000	(vii)	
	1,064,550				931,277

	Consolidated statement of financial position of the Group as at 31 December 2009	Pro forma adjustments			Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 December 2009
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
		Note 1	*Note 2*		
Current Liabilities					
Trade payables	110,313	(107,129)	–		3,184
Other payables	56,191	(19,996)	–		36,195
Dividend payable	86	–	–		86
Taxation payable	721	(82)	–		639
Amounts due to group companies	–	(288,726)	249,949	(iii)	–
		–	38,777	(vii)	
Amounts due to Elixir International Limited		–	1,223	(vii)	1,223
Financial guarantee liability	146,188	–	–		146,188
Bank borrowings – due within one year	166,400	–	–		166,400
Convertible loan notes – due within one year	1,128,227	–	–		1,128,227
	1,608,126				1,482,142
Net Current Assets	(543,576)				(550,865)
Total assets less current liabilities	6,929,797				6,917,146
Non-current Liabilities					
Bank borrowings – due after one year	50,200	–	–		50,200
Long term payable	170,537	–	–		170,537
	220,737				220,737
	6,709,060				6,696,409
Capital and Reserves					
Share capital	615,130	–	–		615,130
Reserves	6,066,626	–	(12,651)	(ii)	6,053,975
Equity attributable to equity holders of the Company	6,681,756				6,669,105
Minority interests	27,304				27,304
	6,709,060				6,696,409

Unaudited Pro Forma Consolidated Statement of Comprehensive Income

	Consolidated statement of comprehensive income of the Group for the year ended 31 December 2009	Pro forma adjustments			Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group for the year ended 31 December 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 3	*Note 5*	*Note 6*	
Revenue	709,553	(560,910)	–	–	148,643
Other income	62,158	(22,790)	–	286	39,654
Investment income	3,775	–	–	–	3,775
Purchases and changes in inventories of finished goods	(573,525)	541,795	–	–	(31,730)
Employee benefits expense	(125,548)	20,435	–	–	(105,113)
Depreciation of property, plant and equipment	(14,657)	1,878	–	–	(12,779)
Loss on disposal of subsidiaries	(1,804)	–	(14,983)	–	(16,787)
Other expenses	(81,127)	12,892	–	(410)	(68,645)
Impairment loss recognised in respect of available-for-sale investments	(2,574)	–	–	–	(2,574)
Impairment loss recognised in respect of amount due from an associate	(189,506)	–	–	–	(189,506)
Loss on deemed disposal of interests in associates	(157,214)	–	–	–	(157,214)
Gain on disposal of interest in an associate	33,516	–	–	–	33,516
Fair value changes on derivative financial instruments	(30)	–	–	–	(30)
Fair value changes on convertible bonds	75,410	–	–	–	75,410
Finance costs	(99,413)	4,368	–	–	(95,045)
Share of (losses) profits of jointly controlled entities	(190,227)	–	–	–	(190,227)
Share of losses of associates	(896,601)	–	–	–	(896,601)
Loss before tax	(1,447,814)				(1,465,253)
Income tax expense	(602)	–	–	–	(602)
Loss for the year	(1,448,416)				(1,465,855)

	Consolidated statement of comprehensive income of the Group for the year ended 31 December 2009	Pro forma adjustments			Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group for the year ended 31 December 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 3	*Note 5*	*Note 6*	
Other comprehensive income					
Exchange differences arising on translation of foreign operations	313	–	–	–	313
Share of other comprehensive income of associates	28,028	–	–	–	28,028
Share of other comprehensive income of a jointly controlled entity	175,050	–	–	–	175,050
Other comprehensive income for the year	203,391				203,391
Total comprehensive loss for the year	(1,245,025)				(1,262,464)
Loss for the year attibutable to:					
Owners of the Company	(1,449,685)	(2,332)	(14,983)	(124)	(1,467,124)
Minority interests	1,269	–	–	–	1,269
	(1,448,416)				(1,465,855)
Total comprehensive loss attibutable to:					
Owners of the Company	(1,246,294)	(2,332)	(14,983)	(124)	(1,263,733)
Minority interests	1,269	–	–	–	1,269
	(1,245,025)				(1,262,464)

Unaudited Pro Forma Consolidated Statement of Cash Flows

	Consolidated statement of cash flows of the Group for the year ended 31 December 2009	Pro forma adjustments				Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 4	*Note 5*	*Note 6*	*Note 7*	
Cash flows from operating activities						
Loss before tax	(1,447,814)	(2,332)	(14,983)	(124)	–	(1,465,253)
Adjustments for:						
Gain on extension of long term payable	(8,010)	–	–	–	–	(8,010)
Gain from fair value change of held-for-trading investments	(150)	–	–	–	–	(150)
Release of financial guarantee liability	(20,837)	–	–	–	–	(20,837)
Dividend income	(3,625)	–	–	–	–	(3,625)
Depreciation of property, plant and equipment	14,657	(1,878)	–	–	–	12,779
Loss on disposal of a subsidiary	1,804	–	14,983	–	–	16,787
Loss on disposal of available-for-sale investment	1,172	–	–	–	–	1,172
Impairment loss recognised in respect of available-for-sale investments	2,574	–	–	–	–	2,574
Impairment loss recognised in respect of amount due from an associate	189,506	–	–	–	–	189,506
Loss on changes in interests in associates	157,214	–	–	–	–	157,214
Gain on disposal of interest in an associate	(33,516)	–	–	–	–	(33,516)
Fair value changes on derivative financial instruments	30	–	–	–	–	30
Fair value change on investment in convertible loan note	(75,410)	–	–	–	–	(75,410)
Allowance for doubtful debts	2,020	(1,460)	–	–	–	560
Allowance for inventories	22,363	(22,363)	–	–	–	–
Share-based payment expense	19,427	–	–	–	–	19,427
Loss on disposal of property, plant and equipment	1,605	(1,162)	–	–	–	443
Share of loss of a jointly controlled entity	190,227	–	–	–	–	190,227
Share of losses of associates	896,601	–	–	–	–	896,601
Finance costs	99,413	(4,368)	–	–	–	95,045
Operating cash flows before movements in working capital	9,251					(24,436)
Decrease (increase) in inventories	26,743	(28,881)	–	–	–	(2,138)
(Increase) decrease in trade receivables	(14,107)	40,074	–	–	–	25,967
Decrease in prepayments, deposits and other receivables	143,542	(157,864)	–	–	–	(14,322)
Decrease in amounts due from associates	53,165	(26,980)	–	–	–	26,185
(Decrease) increase in trade payables	(271,589)	351,601	–	–	–	80,012
Decrease in other payables	(64,409)	(6,667)	–	–	–	(71,076)
Net cash (used in) from operating activities	(117,404)					20,192

	Consolidated statement of cash flows of the Group for the year ended 31 December 2009	Pro forma adjustments				Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 4	*Note 5*	*Note 6*	*Note 7*	
Cash flows from investing activities						
Decrease in pledged bank deposits	971,250	1,165	–	–	–	972,415
Proceeds from disposal of an associate	302,634	–	–	–	–	302,634
Proceeds from disposal of available-for-sale investments	26,518	–	–	–	–	26,518
Repayment of amounts due from associate	22,603	–	–	–	–	22,603
Dividend received	3,625	–	–	–	–	3,625
Proceeds from disposal of property, plant and equipment	181	(59)	–	–	–	122
Increase in bank deposits with original maturity over three months	(542,128)	–	–	–	–	(542,128)
Capital contribution to a jointly controlled entity	(350,100)	–	–	–	–	(350,100)
Increase in other receivables	–	–	–	–	(144,024)	(144,024)
Subscription of convertible bond of an associate	(13,756)	–	–	–	–	(13,756)
Cash outflow from disposal of a subsidiary	(8,819)	(6,558)	371	–	–	(15,006)
Purchase of property, plant and equipment	(7,302)	1,667	–	–	–	(5,635)
Subscription of shares of an associate	(965)	–	–	–	–	(965)
Net cash from investing activities	403,741					256,303
Cash flows from financing activities						
Advance from a shareholder	300,000	–	–	–	–	300,000
Repayment to a shareholder	(550,000)	–	–	–	–	(550,000)
Advance from former ultimate holding company	–	(143,321)	–	–	143,321	–
Advance from former immediate holding company	–	(703)	–	–	703	–
Repayments of bank borrowings	(96,400)	–	–	–	–	(96,400)
Interest paid	(26,995)	4,368	–	–	–	(22,627)
Dividend paid	(47)	–	–	–	–	(47)
Proceeds from exercise of share options	984	–	–	–	–	984
Net cash used in financing activities	(372,458)					(368,090)
Net decrease in cash and cash equivalents	(86,121)	–	–	–	–	(91,595)
Cash and cash equivalents at the beginning of the year	239,875	–	–	–	–	239,875
Cash and cash equivalents at end of year	153,754					148,280

Notes to the unaudited Pro Forma Financial Information

Notes:

(1) The adjustments reflect the de-consolidation of the assets and liabilities of Elixir International Limited as at 31 December 2009, assuming that the Disposal had taken place on 31 December 2009.

(2) The adjustments reflect

(i) the cash consideration of approximately HK$371,000 in relation to the disposal of Elixir International Limited in accordance with the agreement for disposal of Elixir International Limited ("Disposal Agreement"). For the purpose of this unaudited pro forma financial information, the above consideration has not taken into account of the adjustment on consideration contemplated by the Disposal Agreement, which is calculated as the difference in adjusted net assets value as defined in the Disposal Agreement between 28 February 2010 and 31 March 2010. The consideration will be subject to change upon completion of the Disposal;

(ii) the assumed loss on disposal of approximately HK$12,651,000;

(iii) the amount due by Elixir International Limited to the Group amounting to approximately HK$249,949,000 to be waived by the Group upon completion of the Disposal in accordance with the Disposal Agreement;

(iv) the amount due by the Group to Elixir International Limited amounting to approximately HK$6,222,000 to be waived by Elixir International Limited upon completion of the Disposal in accordance with the Disposal Agreement;

(v) the assignment of amounts due fom associates recorded in the books of Elixir International Limited to the Group in aggregate amounting to approximately HK$73,671,000;

(vi) the realisation of goodwill attributable to Elixir International Limited of approximately HK$4,113,000 upon completion of the Disposal; and

(vii) the repayment of HK$40,000,000 by Elixir International Limited to the Group. As if the completion of the Disposal had taken place on 31 December 2009, the Group would have amount due from Elixir International Limited of approximately HK$288,726,000 based on the outstanding balance as at 31 December 2009. After the waiver of amount due by Elixir International Limited to the Group of approximately HK$249,949,000 in accordance with (iii) above, which is a fixed amount stated in the Disposal Agreement, the pro forma amount due from Elixir International Limited is approximately HK$38,777,000. The excess of the repayment of HK$40,000,000 over approximately HK$38,777,000 of approximately HK$1,223,000 is therefore recorded as amount due to Elixir International Limited in the unaudited pro forma consolidated statement of financial position of the Remaining Group, as in the opinion of the directors of the Company, any balance outstanding between the Group and Elixir International Limited after the Disposal will be settled in cash.

The assumed loss of approximately HK$12,651,000 is determined by comparing the cash consideration of approximately HK$371,000 with the net liabiliites of Elixir International Limited as at 31 December 2009 of approximately HK$161,147,000 after adjusting for (a) the amount of approximately HK$249,949,000 due by Elixir International Limited to the Group which will be waived upon completion of the Disposal; (b) the amount of approximately HK$6,222,000 due by the Group to Elixir International Limited which will be waived upon completion of the Disposal; (c) the assignment of amounts due from associates of approximately HK$73,671,000 from Elixir International Limited to the Group; and deducting (d) the goodwill realised of HK$4,113,000.

(3) The adjustments reflect the de-consolidation of the results of Elixir International Limited for the year ended 31 December 2009, assuming that the Disposal had taken place on 1 January 2009.

(4) The adjustments reflect the exclusion of the cash flows of Elixir International Limited for the year ended 31 December 2009, assuming the Disposal had take place on 1 January 2009. Moreover, in accordance with the Disposal Agreement, Elixir International Limited is required to repay HK$40,000,000 to the Remaining Group before the completion of the Disposal, the cash outflow on disposal of a subsidiary of approximately HK$6,558,000 has therefore arrived at after deducting this HK$40,000,000 repayment out of approximately HK$46,558,000 cash and cash equivalent held by Elixir International Limited as at 1 January 2009.

(5) The adjustments reflect the assumed loss of approximately HK$14,983,000 and cash consideration of approximately HK$371,000 from disposal of the Disposal Group, assuming the Disposal had taken place on 1 January 2009. The loss on disposal of Elixir International Limited is calculated based on the financial information of Elixir International Limited as at 1 January 2009 and the adjustments mentioned in note 2 (i), (iii) to (vi).

(6) The adjustments are to reinstate rental income and management fee and other administrative costs recharge between the Remaining Group and Elixir International Limited during the year ended 31 December 2009. The related cash inflow of approximately HK$286,000 and outflow of approximately HK$410,000 of the above rental income and management fee and other administrative fee recharge, respectively, are also reinstated to reflect the receipt and payment of those recharges.

(7) The adjustments are to reinstate the cash flows between the Remaining Group and Elixir International Limited during the year ended 31 December 2009. The advance to Elixir International Limited during the year ended 31 December 2009 was reclassified as an advance to third party under investing activities.

B. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is the text of a report received from the auditors of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular.

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

TO THE DIRECTORS OF MELCO INTERNATIONAL DEVELOPMENT LIMITED

We report on the unaudited pro forma financial information of Melco International Development Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed disposal of 100% issued capital of Elixir International Limited ("Elixir") might have affected the financial information presented, for inclusion in Appendix II of the circular dated 4 June 2010 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on pages 123 to 131 to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29 (7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly complied by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29 (1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of

- the financial position of the Group as at 31 December 2009 or any future date; and
- the results and cash flows of the Group for the year ended 31 December 2009 or any future period.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29 (1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

4 June 2010

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS UNDER THE SFO

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

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

(I) Long positions in Shares and underlying Shares

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

Name	Capacity	Number of ordinary Shares held	Approximate % of issued share capital of the Company
Mr. Ho, Lawrence Yau Lung	Held by controlled corporations	411,335,630 *(Note 2)*	33.43%
	Beneficial owner	8,087,112	0.66%
Mr. Tsui Che Yin, Frank	Beneficial owner	163,660	0.01%
Mr. Chung Yuk Man, Clarence	Beneficial owner	141,440	0.01%
Dr. Lo Ka Shui	Beneficial owner	2,058,000	0.17%
Sir Roger Lobo	Beneficial owner	58,000	0.00%
Mr. Sham Sui Leung, Daniel	Beneficial owner	58,000	0.00%
Mr. Ng Ching Wo	Beneficial owner	58,000	0.00%

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

Name of Director	Number of share options outstanding as at the Latest Practicable Date	Approximate % of issued share capital of the Company	Date of grant	Exercisable period	Exercise price *(HK$)*
Mr. Ho, Lawrence Yau Lung	230,840	0.02%	01.04.2008	01.04.2009 - 31.03.2018	10.804
	230,840	0.02%	01.04.2008	01.04.2010 - 31.03.2018	10.804
	230,840	0.02%	01.04.2008	01.04.2011 - 31.03.2018	10.804
	89,333	0.01%	17.12.2008	01.02.2009 - 16.12.2018	2.02
	89,333	0.01%	17.12.2008	01.05.2009 - 16.12.2018	2.02
	89,333	0.01%	17.12.2008	01.08.2009 - 16.12.2018	2.02
	89,333	0.01%	17.12.2008	01.11.2009 - 16.12.2018	2.02
	89,333	0.01%	17.12.2008	01.02.2010 - 16.12.2018	2.02
	89,335	0.01%	17.12.2008	01.05.2010 - 16.12.2018	2.02
	76,500	0.01%	03.04.2009	03.04.2010 - 02.04.2019	2.99
	76,500	0.01%	03.04.2009	03.04.2011 - 02.04.2019	2.99
	77,000	0.01%	03.04.2009	03.04.2012 - 02.04.2019	2.99
	200,000	0.02%	07.04.2010	07.04.2010 - 06.04.2020	3.76
	242,000	0.02%	07.04.2010	07.04.2011 - 06.04.2020	3.76
	242,000	0.02%	07.04.2010	07.04.2012 - 06.04.2020	3.76
	244,000	0.02%	07.04.2010	07.04.2013 - 06.04.2020	3.76
	200,000	0.02%	07.04.2010	07.04.2014 - 06.04.2020	3.76
	200,000	0.02%	07.04.2010	07.04.2015 - 06.04.2020	3.76
	2,786,520	0.27%			
Mr. Tsui Che Yin, Frank	104,000	0.01%	01.04.2008	01.04.2009 - 31.03.2018	10.804
	104,000	0.01%	01.04.2008	01.04.2010 - 31.03.2018	10.804
	104,000	0.01%	01.04.2008	01.04.2011 - 31.03.2018	10.804
	91,000	0.01%	17.12.2008	01.02.2009 - 16.12.2018	2.02
	91,000	0.01%	17.12.2008	01.05.2009 - 16.12.2018	2.02
	91,000	0.01%	17.12.2008	01.08.2009 - 16.12.2018	2.02
	91,000	0.01%	17.12.2008	01.11.2009 - 16.12.2018	2.02
	91,000	0.01%	17.12.2008	01.02.2010 - 16.12.2018	2.02
	91,000	0.01%	17.12.2008	01.05.2010 - 16.12.2018	2.02
	50,000	0.00%	03.04.2009	03.04.2010 - 02.04.2019	2.99
	50,000	0.00%	03.04.2009	03.04.2011 - 02.04.2019	2.99
	60,000	0.00%	03.04.2009	03.04.2012 - 02.04.2019	2.99
	166,000	0.01%	07.04.2010	07.04.2010 - 06.04.2020	3.76
	232,000	0.02%	07.04.2010	07.04.2011 - 06.04.2020	3.76
	232,000	0.02%	07.04.2010	07.04.2012 - 06.04.2020	3.76
	232,000	0.02%	07.04.2010	07.04.2013 - 06.04.2020	3.76
	166,000	0.01%	07.04.2010	07.04.2014 - 06.04.2020	3.76
	170,000	0.01%	07.04.2010	07.04.2015 - 06.04.2020	3.76
	2,216,000	0.18%			

Name of Director	Number of share options outstanding as at the Latest Practicable Date	Approximate % of issued share capital of the Company	Date of grant	Exercisable period	Exercise price *(HK$)*
Mr. Chung Yuk Man, Clarence	200,000	0.02%	01.02.2005	17.09.2009 - 07.03.2012	7.4
	130,000	0.01%	13.02.2006	01.04.2008 - 31.01.2016	11.8
	130,000	0.01%	13.02.2006	01.04.2010 - 31.01.2016	11.8
	140,000	0.01%	13.02.2006	01.04.2012 - 31.01.2016	11.8
	104,000	0.01%	01.04.2008	01.04.2009 - 31.03.2018	10.804
	104,000	0.01%	01.04.2008	01.04.2010 - 31.03.2018	10.804
	104,000	0.01%	01.04.2008	01.04.2011 - 31.03.2018	10.804
	91,000	0.01%	17.12.2008	01.02.2009 - 16.12.2018	2.02
	91,000	0.01%	17.12.2008	01.05.2009 - 16.12.2018	2.02
	91,000	0.01%	17.12.2008	01.08.2009 - 16.12.2018	2.02
	91,000	0.01%	17.12.2008	01.11.2009 - 16.12.2018	2.02
	91,000	0.01%	17.12.2008	01.02.2010 - 16.12.2018	2.02
	91,000	0.01%	17.12.2008	01.05.2010 - 16.12.2018	2.02
	50,000	0.00%	03.04.2009	03.04.2010 - 02.04.2019	2.99
	50,000	0.00%	03.04.2009	03.04.2011 - 02.04.2019	2.99
	60,000	0.00%	03.04.2009	03.04.2012 - 02.04.2019	2.99
	166,000	0.01%	07.04.2010	07.04.2010 - 06.04.2020	3.76
	232,000	0.02%	07.04.2010	07.04.2011 - 06.04.2020	3.76
	232,000	0.02%	07.04.2010	07.04.2012 - 06.04.2020	3.76
	232,000	0.02%	07.04.2010	07.04.2013 - 06.04.2020	3.76
	166,000	0.01%	07.04.2010	07.04.2014 - 06.04.2020	3.76
	170,000	0.01%	07.04.2010	07.04.2015 - 06.04.2020	3.76
	2,816,000	0.23%			
Dr. Lo Ka Shui	100,000	0.01%	03.04.2006	03.04.2008 - 02.04.2016	15.87
	100,000	0.01%	03.04.2006	03.04.2010 - 02.04.2016	15.87
	100,000	0.01%	03.04.2006	03.04.2012 - 02.04.2016	15.87
	17,000	0.00%	28.02.2008	01.04.2009 - 27.02.2018	11.5
	17,000	0.00%	28.02.2008	01.04.2010 - 27.02.2018	11.5
	17,000	0.00%	28.02.2008	01.04.2011 - 27.02.2018	11.5
	30,000	0.00%	03.04.2009	03.04.2010 - 02.04.2019	2.99
	30,000	0.00%	03.04.2009	03.04.2011 - 02.04.2019	2.99
	31,000	0.00%	03.04.2009	03.04.2012 - 02.04.2019	2.99
	20,000	0.00%	07.04.2010	07.04.2011 - 06.04.2020	3.76
	20,000	0.00%	07.04.2010	07.04.2012 - 06.04.2020	3.76
	20,000	0.00%	07.04.2010	07.04.2013 - 06.04.2020	3.76
	502,000	0.03%			

Name of Director	Number of share options outstanding as at the Latest Practicable Date	Approximate % of issued share capital of the Company	Date of grant	Exercisable period	Exercise price
					(HK$)
Sir Roger Lobo	100,000	0.01%	03.04.2006	03.04.2008 - 02.04.2016	15.87
	100,000	0.01%	03.04.2006	03.04.2010 - 02.04.2016	15.87
	100,000	0.01%	03.04.2006	03.04.2012 - 02.04.2016	15.87
	17,000	0.00%	28.02.2008	01.04.2009 - 27.02.2018	11.5
	17,000	0.00%	28.02.2008	01.04.2010 - 27.02.2018	11.5
	17,000	0.00%	28.02.2008	01.04.2011 - 27.02.2018	11.5
	30,000	0.00%	03.04.2009	03.04.2010 - 02.04.2019	2.99
	30,000	0.00%	03.04.2009	03.04.2011 - 02.04.2019	2.99
	31,000	0.00%	03.04.2009	03.04.2012 - 02.04.2019	2.99
	20,000	0.00%	07.04.2010	07.04.2011 - 06.04.2020	3.76
	20,000	0.00%	07.04.2010	07.04.2012 - 06.04.2020	3.76
	20,000	0.00%	07.04.2010	07.04.2013 - 06.04.2020	3.76
	502,000	0.03%			
Mr. Sham Sui Leung, Daniel	17,000	0.00%	28.02.2008	01.04.2009 - 27.02.2018	11.5
	17,000	0.00%	28.02.2008	01.04.2010 - 27.02.2018	11.5
	17,000	0.00%	28.02.2008	01.04.2011 - 27.02.2018	11.5
	30,000	0.00%	03.04.2009	03.04.2010 - 02.04.2019	2.99
	30,000	0.00%	03.04.2009	03.04.2011 - 02.04.2019	2.99
	31,000	0.00%	03.04.2009	03.04.2012 - 02.04.2019	2.99
	20,000	0.00%	07.04.2010	07.04.2011 - 06.04.2020	3.76
	20,000	0.00%	07.04.2010	07.04.2012 - 06.04.2020	3.76
	20,000	0.00%	07.04.2010	07.04.2013 - 06.04.2020	3.76
	202,000	0.00%			
Mr. Ng Ching Wo	100,000	0.01%	03.04.2006	03.04.2008 - 02.04.2016	15.87
	100,000	0.01%	03.04.2006	03.04.2010 - 02.04.2016	15.87
	100,000	0.01%	03.04.2006	03.04.2012 - 02.04.2016	15.87
	17,000	0.00%	28.02.2008	01.04.2009 - 27.02.2018	11.5
	17,000	0.00%	28.02.2008	01.04.2010 - 27.02.2018	11.5
	17,000	0.00%	28.02.2008	01.04.2011 - 27.02.2018	11.5
	30,000	0.00%	03.04.2009	03.04.2010 - 02.04.2019	2.99
	30,000	0.00%	03.04.2009	03.04.2011 - 02.04.2019	2.99
	31,000	0.00%	03.04.2009	03.04.2012 - 02.04.2019	2.99
	20,000	0.00%	07.04.2010	07.04.2011 - 06.04.2020	3.76
	20,000	0.00%	07.04.2010	07.04.2012 - 06.04.2020	3.76
	20,000	0.00%	07.04.2010	07.04.2013 - 06.04.2020	3.76
	502,000	0.03%			
	9,526,520	**0.77%**			

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

Name of Director	Number of unvested awarded Shares as at the Latest Practicable Date	Approximate % of issued share capital of the Company	Date of award	Vesting date
Mr. Ho, Lawrence Yau Lung	12,500	0.00%	03.04.2009	03.04.2011
	13,000	0.00%	03.04.2009	03.04.2012
	25,500	0.00%		
Mr. Tsui Che Yin, Frank	9,000	0.00%	03.04.2009	03.04.2011
	9,000	0.00%	03.04.2009	03.04.2012
	18,000	0.00%		
Mr. Chung Yuk Man, Clarence	9,000	0.00%	03.04.2009	03.04.2011
	9,000	0.00%	03.04.2009	03.04.2012
	18,000	0.00%		
Dr. Lo Ka Shui	4,000	0.00%	28.02.2008	01.04.2011
	5,000	0.00%	03.04.2009	03.04.2011
	5,000	0.00%	03.04.2009	03.04.2012
	14,000	0.00%		
Sir Roger Lobo	4,000	0.00%	28.02.2008	01.04.2011
	5,000	0.00%	03.04.2009	03.04.2011
	5,000	0.00%	03.04.2009	03.04.2012
	14,000	0.00%		
Mr. Sham Sui Leung, Daniel	4,000	0.00%	28.02.2008	01.04.2011
	5,000	0.00%	03.04.2009	03.04.2011
	5,000	0.00%	03.04.2009	03.04.2012
	14,000	0.00%		
Mr. Ng Ching Wo	4,000	0.00%	28.02.2008	01.04.2011
	5,000	0.00%	03.04.2009	03.04.2011
	5,000	0.00%	03.04.2009	03.04.2012
	14,000	0.00%		
	117,500	**0.00%**		

(iv) Convertible loan notes issued by the Company

Name of Director	**Capacity**	**Number of ordinary Shares held**	**Approximate % of issued share capital of the Company**
Mr. Ho, Lawrence Yau Lung	Held by trust	298,982,188 *(Note 3)*	24.30%

Notes:

1. As at the Latest Practicable Date, the total number of issued Shares was 1,230,417,773.

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

3. Pursuant to an agreement dated 11 May 2005 entered into between Great Respect Limited, Melco PBL Entertainment (Greater China) Limited (now known as MCE Holdings Three Limited) and the Company, convertible loan notes in the total principal amount of HK$1,175,000,000 (the "**Convertible Loan Notes**") were issued by the Company to Great Respect Limited on 5 September 2005 on the terms set out in the agreement. On 8 February 2010, the Shareholders at the extraordinary general meeting have approved (1) the amendments to the terms of the Convertible Loan Notes (the "**Amended Convertible Loan Notes**") pursuant to the deed of amendment dated 16 December 2009 entered into between the Company and Great Respect Limited and (2) a new whitewash waiver waiving the obligation of Great Respect Limited and Mr. Ho, Lawrence Yau Lung to make a mandatory general offer for the Shares as a result of any and future exercise of the conversion rights under the Amended Convertible Loan Notes in full pursuant to the provisions of Rule 26 of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Hence, no offer under Rule 26 of the Takeovers Code will be made on full conversion of the Amended Convertible Loan Notes.

   Assuming the exercise in full of the conversion rights attaching to the Amended Convertible Loan Notes at the conversion price of HK$3.93 per Share by Great Respect Limited, a total number of 298,982,188 new Shares would be issued by the Company, representing approximately 24.30% of the existing issued share capital and approximately 19.55% of the enlarged issued share capital of the Company. Great Respect Limited is a company controlled by a discretionary family trust, the beneficiaries of which include Mr. Ho, Lawrence Yau Lung and his family members. SG Trust (Asia) Ltd. is the trustee of the aforesaid discretionary family trust.

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

(A) Melco Crown Entertainment

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

Name of Director	Capacity	Number of ordinary shares of Melco Crown Entertainment held	Approximate % of issued share capital of Melco Crown Entertainment
Mr. Ho, Lawrence Yau Lung	Held by controlled corporations	544,496,156 *(Note 2)*	34.10%
	Beneficial owner	2,435,772	0.15%
Mr. Tsui Che Yin, Frank	Beneficial owner	11,850	0.00%
Mr. Chung Yuk Man, Clarence	Beneficial owner	34,714	0.00%

(ii) Restricted shares awarded by Melco Crown Entertainment

Name of Director	Capacity	Number of restricted shares of Melco Crown Entertainment held	Approximate % of issued share capital of Melco Crown Entertainment
Mr. Ho, Lawrence Yau Lung	Beneficial owner	62,292 *(Note 3)*	0.00%
	Beneficial owner	483,129 *(Note 4)*	0.03%
Mr. Chung Yuk Man, Clarence	Beneficial owner	3,114 *(Note 3)*	0.00%
	Beneficial owner	23,007 *(Note 4)*	0.00%

(iii) Stock options granted by Melco Crown Entertainment

Name of Director	Capacity	Number of stock options of Melco Crown Entertainment held	Approximate % of issued share capital of Melco Crown Entertainment
Mr. Ho, Lawrence Yau Lung	Beneficial owner	2,898,774 *(Note 6)*	0.18%
	Beneficial owner	755,058 *(Note 7)*	0.05%
Mr. Chung Yuk Man, Clarence	Beneficial owner	56,628 *(Note 5)*	0.00%
	Beneficial owner	138,036 *(Note 6)*	0.01%

Notes:

1. As at the Latest Practicable Date, the total number of issued shares of Melco Crown Entertainment was 1,596,780,610.

2. Mr. Ho, Lawrence Yau Lung is deemed to be interested in (i) 533,750,000 shares of Melco Crown Entertainment which are being held by Melco Leisure and Entertainment Group Limited ("**Melco Leisure**"), a wholly-owned subsidiary of the Company; and (ii) 10,746,156 shares of Melco Crown Entertainment which are being held by Melco Crown SPV Limited, a company which is owned by Melco Leisure as to 50%, as a result of him being beneficially interested in approximately 34.09% of the issued share capital of the Company which in turn holds approximately 34.10% of the issued share capital of Melco Crown Entertainment.

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

   The 62,292 restricted shares held by Mr. Ho, Lawrence Yau Lung shall vest on 18 March 2012. The 3,114 restricted shares held by Mr. Chung Yuk Man, Clarence shall vest on 18 March 2012.

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

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

5. The personal interests of this director represent his derivative interests in Melco Crown Entertainment comprising the stock options granted to him by Melco Crown Entertainment on 18 March 2008 at an exercise price of US$4.01333 per share (US$12.04 per American depositary share (**"ADS"**)) of Melco Crown Entertainment (Note: each ADS represents 3 shares of Melco Crown Entertainment).

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

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

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

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

7. Pursuant to the Option Cancel and Exchange Program adopted by Melco Crown Entertainment, the 1,132,587 stock options at an exercise price of US$4.01333 per share (US$12.04 per ADS) of Melco Crown Entertainment previously granted to Mr. Ho, Lawrence Yau Lung on 18 March 2008 have been cancelled. In return, Melco Crown Entertainment granted 755,058 stock options at an exercise price of US$1.4267 (US$4.28 per ADS) to Mr. Ho, Lawrence Yau Lung on 25 November 2009.

   Among the 755,058 stock options held by Mr. Ho, Lawrence Yau Lung, 188,763 options may be exercised during the period from 25 November 2010 to 17 March 2017, 188,763 options may be exercised during the period from 25 November 2011 to 17 March 2018, 188,763 options may be exercised during the period from 25 November 2012 to 17 March 2018 and 188,769 options may be exercised during the period from 25 November 2013 to 17 March 2018.

(B) MCR

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

Name of Director	Capacity	Number of common shares of MCR held	Approximate % of issued common shares of MCR
Mr. Ho, Lawrence Yau Lung	Held by controlled corporations	58,233,365 *(Note 2)*	28.71%
	Beneficial owner	156,862	0.08%

(ii) Stock options of MCR

Name of Director	Capacity	Number of stock options of MCR held	Approximate % of issued common shares of MCR
Mr. Chung Yuk Man, Clarence	Beneficial owner	300,000 *(Note 3)*	0.15%

Notes:

1. As at the Latest Practicable Date, the total number of issued common shares of MCR was 202,825,011.

2. Mr. Ho, Lawrence Yau Lung is taken to be interested in 58,233,365 common shares of MCR, which are being held by Melco (Luxembourg) S.à.r.l., a wholly-owned subsidiary of Melco Leisure, as a result of him being beneficially interested in approximately 34.09% of the issued share capital of the Company which in turn holds approximately 28.71% of the issued common shares of MCR.

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

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

(C) EGT

(i) Shares of common stock of US$0.001 each of EGT

Name of Director	Capacity	Number of shares of common stock of EGT held	Approximate % of issued share capital of EGT
Mr. Ho, Lawrence Yau Lung	Held by controlled corporations	45,800,000 *(Note 2)*	39.52%
Mr. Chung Yuk Man, Clarence	Beneficial owner	625,000	0.54%

(ii) Warrants issued by EGT

Name of Director	Capacity	Number of underlying shares of EGT held	Approximate % of issued share capital of EGT
Mr. Ho, Lawrence Yau Lung	Held by controlled corporations	10,000,000 *(Notes 2 & 3)*	8.63%

(iii) Stock options of EGT

Name of Director	Capacity	Number of stock options of EGT held	Approximate % of issued share capital of EGT
Mr. Tsui Che Yin, Frank	Beneficial owner	1,000,000 *(Note 4)*	0.86%
Mr. Chung Yuk Man, Clarence	Beneficial owner	200,000 *(Note 4)*	0.17%
	Beneficial owner	30,000 *(Note 5)*	0.03%
	Beneficial owner	100,000 *(Note 6)*	0.09%
	Beneficial owner	2,000,000 *(Note 7)*	1.73%
	Beneficial owner	50,000 *(Note 8)*	0.04%
	Beneficial owner	50,000 *(Note 10)*	0.04%
	Beneficial owner	500,000 *(Note 11)*	0.43%
Mr. Sham Sui Leung, Daniel	Beneficial owner	100,000 *(Note 9)*	0.09%
	Beneficial owner	50,000 *(Note 8)*	0.04%

Notes:

1. As at the Latest Practicable Date, the total number of issued shares of common stock of EGT was 115,879,394.

2. Mr. Ho, Lawrence Yau Lung is deemed to be interested in 45,800,000 shares of common stock of EGT and 10,000,000 underlying shares of EGT (which relate to certain EGT warrants as described in Note 3), which are being held by EGL, a wholly-owned subsidiary of the Company, as a result of him being beneficially interested in approximately 34.09% of the issued share capital of the Company which in turn holds approximately 39.52% of the issued share capital of EGT.

3. The 10,000,000 underlying shares relate to the 10,000,000 warrants issued by EGT to EGL pursuant to the securities purchase agreement entered into between EGL and EGT dated 11 October 2006. Each warrant entitles the warrant holder to subscribe for one share of common stock of EGT at exercise prices ranging from US$1.00 to US$3.50 per share during the period from 31 December 2007 to 31 December 2010.

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

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

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

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

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

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

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

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

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

11. The personal interest of Mr. Chung Yuk Man, Clarence represents his derivative interest in EGT comprising the stock options granted to him by EGT on 22 January 2010 at an exercise price of US$0.275 per EGT's share. These stock options may be exercised during the period from 8 January 2011 to 31 December 2020.

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

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

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

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

		Number of ordinary Shares held/ approximate % of issued share capital				
Name	**Capacity**	**Long positions**	**%**	**Short positions**	**%**	*Note*
Better Joy	Beneficial owner	288,532,606	23.45%	–	–	2
Lasting Legend	Beneficial owner	115,509,024	9.39%	–	–	2
Mr. Ho, Lawrence Yau Lung	Held by controlled corporations	411,335,630	33.43%	–	–	3
	Beneficial owner	8,087,112	0.66%	–	–	–
Ms. Lo Sau Yan, Sharen	Family interest	419,422,742	34.09%	–	–	4
Janus Capital Management LLC	Beneficial owner	123,792,000	10.06%	–	–	–

(II) Convertible loan notes issued by the Company

Name	Capacity	Number of underlying Shares held	Approximate % of issued share capital	*Note*
Great Respect Limited	Beneficial owner	298,982,188	24.30%	5
Mr. Ho, Lawrence Yau Lung	Held by trust	298,982,188	24.30%	5
Ms. Lo Sau Yan, Sharen	Held by trust	298,982,188	24.30%	5
Dr. Ho Hung Sun, Stanley	Held by trust	298,982,188	24.30%	5 & 6
SG Trust (Asia) Ltd.	Held by controlled corporations	298,982,188	24.30%	5

Notes:

1. As at the Latest Practicable Date, the total number of issued Shares was 1,230,417,773.

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

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

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

5. Pursuant to an agreement dated 11 May 2005 entered into between Great Respect Limited, Melco PBL Entertainment (Greater China) Limited (now known as MCE Holdings Three Limited) and the Company, convertible loan notes in the total principal amount of HK$1,175,000,000 (the "**Convertible Loan Notes**") were issued by the Company to Great Respect Limited on 5 September 2005 on the terms set out in the agreement. On 8 February 2010, the Shareholders at the extraordinary general meeting have approved (1) the amendments to the terms of the Convertible Loan Notes (the "**Amended Convertible Loan Notes**") pursuant to the deed of amendment dated 16 December 2009 entered into between the Company and Great Respect Limited and (2) a new whitewash waiver waiving the obligation of Great Respect Limited and Mr. Ho, Lawrence Yau Lung to make a mandatory general offer for the Shares as a result of any and future exercise of the conversion rights under the Amended Convertible Loan Notes in full pursuant to the provisions of Rule 26 of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Hence, no offer under Rule 26 of the Takeovers Code will be made on full conversion of the Amended Convertible Loan Notes.

   Assuming the exercise in full of the conversion rights attaching to the Amended Convertible Loan Notes at the conversion price of HK$3.93 per Share by Great Respect Limited, a total number of 298,982,188 new Shares would be issued by the Company, representing approximately 24.30% of the existing issued share capital and approximately 19.55% of the enlarged issued share capital of the Company. Great Respect Limited is a company controlled by a discretionary family trust, the beneficiaries of which include Mr. Ho, Lawrence Yau Lung and his family members. SG Trust (Asia) Ltd. is the trustee of the aforesaid discretionary family trust.

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

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

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

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service agreement with any member of the Group which will not expire or is not determinable within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN CONTRACTS/ASSETS OF THE GROUP

As at the Latest Practicable Date, save and except HK$1,175 million in principal amount of convertible loan notes due 2010 issued by the Company to Great Respect Limited and the deed of amendment dated 16 December 2009 entered into between the Company and Great Respect Limited, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date, which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2009, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. MATERIAL ADVERSE CHANGE

Save as disclosed below, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009, being the date to which the latest published audited consolidated financial statements of the Group were made up:

(a) The deed of amendment entered into between Great Respect Limited and the Company on 16 December 2009 in relation to the amendments of the terms of the convertible loan notes of principal amount of HK$1,175 million, details of which are set out in the Company's announcement dated 16 December 2009. 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 with the amendment of the terms of the convertible loan note, until after 31 December 2011 unless the Company has sufficient working capital to redeem whole or part of the convertible loan notes.

(b) On 8 April 2010, MCR has completed a private placement with Wisecord Holdings Limited ("**WHL**") for the issuance of 100,000,000 new common shares to WHL at C$0.15 per share. Therefore, the Group's shareholding in MCR has been diluted to 28.7%.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates (as defined in the Listing Rules) had an interest in a business which competes, or is likely to compete, either directly or indirectly, with the businesses of the Group.

7. LITIGATION

As at the Latest Practicable Date, save as disclosed in the Company's announcements dated 14 April 2010, 15 April 2010 and 14 May 2010 in relation to the complaint (the "**Complaint**") filed by certain shareholders of EGT in the United States District Court for the Southern District of New York against certain current and former directors and officers of EGT (in which the Company and its wholly-owned subsidiary, EGL, were also named as defendants), neither the Company nor any of its subsidiaries is engaged in any litigation or claims of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

8. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, were entered into by the Company or its subsidiaries within the two years immediately preceding the Latest Practicable Date which are or may be material:

(a) the subsciption agreement entered into between MCR and WHL on 2 February 2010 whereby WHL agreed to subscribe for 100,000,000 new common shares in the capital of the MCR at a subscription price of C$0.15 for a total subscription price of C$15,000,000, details of which are set out in the Company's announcement dated 9 April 2010;

(b) the deed of amendment entered into between Great Respect Limited and the Company on 16 December 2009 in relation to the amendments of the terms of the convertible loan notes of principal amount of HK$1,175 million, details of which are set out in the Company's announcement dated 16 December 2009;

(c) the placing agreement entered into between Melco Financial as vendor and the Company as guarantor and Kim Eng Securities (Hong Kong) Limited as placing agent dated 18 September 2009 in relation to the placing of a total of 160,930,380 shares in VC, details of which are set out in the Company's announcement dated 18 September 2009;

(d) the agreement for sale and purchase of shares entered into between Melco Technology as vendor, Glory Stand as purchaser and Mr. Chan Sek Keung Ringo as guarantor dated 23 February 2009 under which Melco Technology agreed to sell and Glory Stand agreed to purchase 80% of the issued share capital of the Company's wholly-owned subsidiary, iAsia Online, at a consideration of HK$12 million;

(e) the shareholders' agreement entered into between Melco Technology, Glory Stand and iAsia Online dated 4 June 2009 for the purpose of regulating the relationship of Melco Technology and Glory Stand, being shareholders of iAsia Online, and certain aspects of the affairs of iAsia Online and its group companies; and

(f) the loan agreement dated 28 April 2009 in respect of the loan amounting to US$45 million provided by each of the Group and Crown Limited to Melco Crown Entertainment Asia Holdings Limited equally in the form of shareholders loans for the purpose of subscription of shares of Melco Crown Entertainment at a subscription price of US$90 million (approximately HK$700.2 million).

9. EXPERTS' QUALIFICATIONS AND CONSENTS

The following is the qualification of the experts who have given opinion or advice which is contained in this circular:

Name	**Qualification**
Deloitte Touche Tohmatsu	Certified Public Accountants
Cinda	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, neither Deloitte Touche Tohmatsu nor Cinda have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, neither Deloitte Touche Tohmatsu nor Cinda have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2009, being the date on which the latest published audited financial statements of the Group were made up.

Each of Deloitte Touche Tohmatsu and Cinda has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, during normal business hours on any weekday, except Saturdays, Sundays and public holidays, from the date of this circular up to and including the date of the EGM:

(a) the memorandum of association and articles of association of the Company;

(b) the Agreement;

(c) the annual reports of the Group for the two financial years ended 31 December 2008 and 2009;

(d) the letter from the Independent Board Committee, the text of which is set out on page 13 of this circular;

(e) the letter of advice from Cinda to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 14 to 22 of this circular;

(f) the accountants' report on the Group from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I of this circular;

(g) the report from Deloitte Touche Tohmatsu in connection with the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix II of this circular;

(h) the written consent of each of Deloitte Touche Tohmatsu and Cinda referred to in the paragraph headed "Experts' Qualifications and Consents" in this Appendix;

(i) the material contracts referred to in the section headed "Material Contracts" in this Appendix; and

(j) this circular.

11. MISCELLANEOUS

(1) The registered office of the Company is 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong.

(2) The share registrar and transfer office of the Company in Hong Kong is Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(3) The secretary of the Company is Mr. Tsang Yuen Wai, Samuel, a solicitor admitted in Hong Kong, England and Wales and Australia.

(4) The finance director of the Company is Mr. Tam Chi Wai, Dennis, a member of CPA Australia and a member of the Institute of Certified Management Accountants, Australia.

(5) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

Melco International Development Limited

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

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Melco International Development Limited (the **"Company"**) will be held at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong on Tuesday, 22 June 2010 at 10:45 a.m. (or so soon thereafter as the annual general meeting of the Company convened for the same place and date at 10:30 a.m. shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT:**

(i) the conditional agreement dated 19 April 2010 (the "**Agreement**"), a copy of which has been produced to the meeting marked "A" and signed by the chairman of the meeting for the purpose of identification) entered into between Elixir Group Limited, a wholly-owned subsidiary of the Company (the "**Vendor**"), Brilliant Light Holding Company Limited (the "**Purchaser**") and Elixir International Limited ("**Elixir**") and the transactions and matters contemplated thereunder be and are hereby approved, ratified and confirmed; and

(ii) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things as he may deem necessary or desirable for or in connection with the implementation of the Agreement and all transactions and matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the Agreement which in his opinion is not of a material nature and to effect or implement any other matters referred to in this resolution."

By order of the Board of
Melco International Development Limited
Tsang Yuen Wai, Samuel
Company Secretary

Hong Kong, 4 June 2010

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

Notes:

(i) Any member of the Company entitled to attend and vote at the EGM may appoint one or more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company.

(ii) Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share of the Company as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

(iii) In order to be valid, the proxy form duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the registered office of the Company at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

(iv) Whether or not you propose to attend the EGM in person, you are strongly urged to complete and return the proxy form in accordance with the instructions printed thereon. Completion and return of the proxy form will not preclude you from attending the EGM and voting in person if you so wish. In the event that you attend the EGM after having lodged the proxy form, it will be deemed to have been revoked.

(v) In accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, voting on the above resolution will be taken by poll.