Melco International Development Limited

(Incorporated in Hong Kong with limited liability)

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

(Stock Code: 200)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

1. Net loss attributable to owners of the Company was HK$218.2 million for the six months ended 30 June 2010, as compared with a net loss attributable to owners of the Company of HK$811.9 million for the six months ended 30 June 2009.

2. Basic loss per share attributable to owners of the Company was HK17.75 cents for the six months ended 30 June 2010 compared to HK66.14 cents for the six months ended 30 June 2009.

3. Net asset value per share attributable to owners of the Company increased by 2%, to HK$5.53 as of 30 June 2010, when compared with HK$5.43 as of 31 December 2009.

4. Gearing ratio improved to 17% as of 30 June 2010 from 23% as of 31 December 2009; the Group maintained a healthy financial position during the review period.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2010

		Six months ended 30 June	
		2010	2009
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Continuing operations			
Revenue	3	**62,124**	69,172
Other income		**10,410**	30,452
Investment income		**327**	2,643
Purchase and changes in inventories of finished goods		**(15,696)**	(11,104)
Employee benefits expense		**(47,592)**	(51,306)
Depreciation of property, plant and equipment		**(4,827)**	(7,104)
Loss on deemed disposal of interest in an associate	4	**(3,712)**	(176,421)
Fair value changes on derivative financial instruments		**(34)**	(30)
Fair value change on investment in convertible loan note	12	**(5,236)**	77,629
Loss on disposal of available-for-sale investments		**–**	(1,172)
Share of loss of a jointly controlled entity		**–**	(155,351)
Share of losses of associates	10	**(101,997)**	(511,713)
Other expenses		**(50,379)**	(31,040)
Finance costs		**(50,721)**	(49,889)
Loss for the period from continuing operations		**(207,333)**	(815,234)
Discontinued operation			
(Loss) profit for the period from discontinued operation	6	**(10,646)**	3,871
Loss for the period		**(217,979)**	(811,363)

		Six months ended 30 June	
		2010	2009
	NOTE	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**(19)**	88
Share of other comprehensive income of associates		**24,845**	14,941
Share of other comprehensive income of a jointly controlled entity		**–**	43,763
Other comprehensive income for the period		**24,826**	58,792
Total comprehensive loss for the period		**(193,153)**	(752,571)
Loss for the period attributable to:			
Owners of the Company		**(218,151)**	(811,890)
Non-controlling interests		**172**	527
		(217,979)	(811,363)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(193,325)**	(753,098)
Non-controlling interests		**172**	527
		(193,153)	(752,571)
Loss per share – Basic and diluted	8		
From continuing and discontinued operations		**(HK17.75 cents)**	(HK66.14 cents)
From continuing operations		**(HK16.88 cents)**	(HK66.45 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2010

	NOTES	**30 June 2010 *HK$'000* (unaudited)**	31 December 2009 *HK$'000*
Non-current assets			
Investment properties	9	**166,000**	166,000
Property, plant and equipment		**26,436**	32,524
Other intangible assets		**2,000**	2,000
Interests in associates	10	**6,289,048**	6,370,847
Amounts due from associates	11	**649,872**	627,321
Available-for-sale investments		**8,829**	8,829
Investment in convertible loan note	12	**252,503**	257,739
Goodwill		**–**	4,113
Long term receivable		**–**	4,000
		7,394,688	7,473,373
Current assets			
Inventories		**2,703**	6,581
Trade receivables	13	**4,145**	62,530
Prepayment, deposits and other receivables		**27,583**	91,512
Held-for-trading investments		**223**	300
Derivative financial instruments		**–**	34
Amounts due from associates	11	**10,551**	34,827
Pledged bank deposits	9	**947**	7,988
Bank deposits with original maturity over three months		**775,653**	707,024
Bank balances and cash		**45,996**	153,754
		867,801	1,064,550
Assets classified as held for sale	6	**79,580**	–
		947,381	1,064,550

	NOTES	**30 June 2010 HK$'000 (unaudited)**	31 December 2009 HK$'000
Current liabilities			
Trade payables	14	**2,374**	110,313
Other payables		**23,914**	56,191
Dividend payable		**86**	86
Taxation payables		**971**	721
Financial guarantee liability	17	**163,920**	146,188
Bank borrowings – due within one year	15	**16,400**	166,400
Convertible loan note – due within one year	16	**–**	1,128,227
		207,665	1,608,126
Liabilities associated with assets classified as held for sale	6	**75,891**	–
		283,556	1,608,126
Net current assets (liabilities)		**663,825**	(543,576)
Total assets less current liabilities		**8,058,513**	6,929,797
Non-current liabilities			
Bank borrowings – due after one year	15	**192,000**	50,200
Long term payable		**167,220**	170,537
Convertible loan note – due after one year	16	**794,293**	–
Deferred tax liability		**68,767**	–
		1,222,280	220,737
		6,836,233	6,709,060
Capital and reserves			
Share capital		**615,221**	615,130
Reserves		**6,193,536**	6,066,626
Equity attributable to owners of the Company		**6,808,757**	6,681,756
Non-controlling interests		**27,476**	27,304
		6,836,233	6,709,060

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial information is consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the HKICPA.

The Group applies HKFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) "Consolidation and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no impact on the condensed consolidated financial information of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no impact on the condensed consolidated financial information of the Group for the current or prior accounting periods.

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of those new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

The Group's reportable segments under HKFRS 8 are as follows:

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

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

Information regarding the above segments is reported below.

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

Six months ended 30 June 2010 (unaudited):

Continuing operations

	Leisure, gaming and entertainment *HK$'000*	**Property and other investments** *HK$'000*	**Total** *HK$'000*	**Elimination** *HK$'000*	**Consolidated** *HK$'000*
External sales	**46,940**	**15,184**	**62,124**	**–**	**62,124**
Inter-segment sales	**178**	**467**	**645**	**(645)**	**–**
Total revenue	**47,118**	**15,651**	**62,769**	**(645)**	**62,124**
Segment results	**291**	**13,186**	**13,477**	**–**	**13,477**
Central administrative costs and other unallocated expenses					**(65,765)**
Unallocated income					**6,655**
Finance costs					**(50,721)**
Loss on deemed disposal of interest in an associate					**(3,712)**
Fair value changes on derivative financial instruments					**(34)**
Fair value change on investment in convertible loan note					**(5,236)**
Share of losses of associates					**(101,997)**
Loss for the period from continuing operations					**(207,333)**

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

Six months ended 30 June 2009 (unaudited):

Continuing operations

	Leisure, gaming and entertainment *HK$'000*	Property and other investments *HK$'000*	Total *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
External sales	42,710	26,462	69,172	–	69,172
Inter-segment sales	402	2,727	3,129	(3,129)	–
Total revenue	43,112	29,189	72,301	(3,129)	69,172
Segment results	(1,332)	27,772	26,440	12	26,452
Central administrative costs and other unallocated expenses					(51,998)
Unallocated income					27,259
Finance costs					(49,889)
Loss on deemed disposal of interest in an associate					(176,421)
Fair value changes on derivative financial instruments					(30)
Fair value change on investment in convertible loan note					77,629
Loss on disposal of available-for-sale investments					(1,172)
Share of loss of a jointly controlled entity					(155,351)
Share of losses of associates					(511,713)
Loss for the period from continuing operations					(815,234)

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

Segment results represent the profit earned or loss incurred by each segment without allocation of central administration costs and other unallocated expenses, unallocated income, finance costs, loss on deemed disposal of interest in an associate, fair value changes on derivative financial instruments, fair value change on investment in convertible loan note, share of loss of a jointly controlled entity, share of losses of associates and loss on disposal of available-for-sale investments. These are the measures reported to Group's Chief Executive Officer for the purposes of resource allocation and performance assessment.

4. LOSS ON DEEMED DISPOSAL OF INTEREST IN AN ASSOCIATE

(i) During the period ended 30 June 2010, the Group's ownership interest in its associate, Melco Crown Entertainment Limited ("Melco Crown Entertainment"), decreased from 33.45% to 33.43%, as a result of the vesting of certain restricted shares issued by Melco Crown Entertainment. The Group therefore recognised a loss of approximately HK$3,712,000 which represents the decrease in net assets attributable to the Group during the period ended 30 June 2010.

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

5. INCOME TAX EXPENSE

Continuing operations

The income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction. No provision for Hong Kong Profits Tax or tax in other jurisdiction is made during the six months ended 30 June 2010 and 2009 as there was no estimated assessable profit for the periods.

6. DISCONTINUED OPERATION

(a) Disposal group held for sale

In April 2010, the Group entered into an agreement to dispose of its 100% equity interest in a subsidiary, Elixir International Limited ("ELI"). The disposal was subsequently completed on 16 July 2010.

(b) Disposal of a subsidiary

In June 2009, the Group disposed 80% of the issued share capital of a wholly-owned subsidiary, iAsia Online Systems Limited ("iAsia"), at a consideration of HK$12,000,000 resulting in a loss of approximately HK$1,804,000.

The results of ELI, iAsia and its subsidiary ("iAsia Group"), which carried out all the Group's technology business, included in the condensed consolidated statement of comprehensive income are set out below:

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue	**78,282**	429,355
Other income	**1,496**	2,627
Purchase and changes in inventories of finished goods	**(74,419)**	(374,496)
Employee benefits expense	**(6,438)**	(16,988)
Depreciation of property, plant and equipment	**(153)**	(1,355)
Other expenses	**(8,728)**	(27,652)
Finance costs	**(686)**	(5,214)
(Loss) profit before tax	**(10,646)**	6,277
Income tax expense	**–**	(602)
(Loss) profit of technology business for the period	**(10,646)**	5,675
Loss on disposal of technology business	**–**	(1,804)
(Loss) profit for the period from discontinued operation	**(10,646)**	3,871
(Loss) profit for the period from discontinued operation includes the following:		
Allowance for inventories	**3,723**	20,423

Major classes of assets and liabilities of ELI as at 30 June 2010 are as follows:

	HK$'000
Property, plant and equipment	**321**
Goodwill	**4,113**
Inventories	**418**
Trade receivables	**28,312**
Prepayment, deposits and other receivables	**21,444**
Amount due from an associate	**25**
Pledged bank deposits	**5,791**
Bank balances and cash	**19,156**
Total assets classified as held for sale	**79,580**
Trade and other payables	**75,809**
Taxation payables	**82**
Total liabilities associated with assets classified as held for sale	**75,891**

The net assets of iAsia Group at the date of disposal were as follows:

	HK$'000
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 receivables	12,000
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(12,819)

The consideration of HK$12,000,000 was due for settlement by three instalments of HK$4,000,000 each.

As at 30 June 2010, the first and second instalments of consideration receivables were received and the third instalment of consideration receivable was included in prepayment, deposits and other receivables. As at 31 December 2009, the first instalment consideration receivable was received and the second and third instalments of consideration receivables were included in long-term receivable and prepayment, deposits and other receivables, respectively.

Cash flows from ELI and iAsia Group:

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash flows used in operating activities	**(27,088)**	(1,975)
Net cash flows from (used in) investing activities	**1,209**	(9,213)
Net cash flows used in financing activities	**(686)**	(5,214)
Net cash flows	**(26,565)**	(16,402)

7. DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 June 2010 for year 2009 (six months ended 30 June 2009: Nil).

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

8. LOSS PER SHARE

From continuing and discontinued operations

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

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share (Loss for the period attributable to owners of the Company)	**(218,151)**	(811,890)

	Six months ended 30 June	
	2010	2009
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,229,088,690**	1,227,556,496

Note: The number of shares adopted in the calculation of the basic and diluted loss per share was arrived at after eliminating the shares in the Company held under the Company's share award scheme. During the periods ended 30 June 2010 and 2009, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible loan note and the effect of share options and unvested awarded shares under the Company's long-term incentive schemes since their assumed exercise would result in a decrease in loss per share.

From continuing operations

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

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss figure is calculated as follow:		
Loss for the period attributable to owners of the Company	**(218,151)**	(811,890)
Less: (Loss) profit for the period from discontinued operation	**(10,646)**	3,871
Loss for the purpose of basic and diluted loss per share from continuing operations	**(207,505)**	(815,761)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

For discontinued operation

Basic and diluted loss per share from discontinued operation is HK0.87 cents per share (six months ended 30 June 2009: earnings per share of HK0.31 cents) is based on the loss for the period from discontinued operation of HK$10,646,000 (six months ended 30 June 2009: profit for the period from discontinued operation of HK$3,871,000) and the denominators detailed above for both basic and diluted (loss) earnings per share.

9. PLEDGE OF ASSETS

At 30 June 2010, the Group pledged certain of its assets for the following purposes:

(a) The Group's bank deposit and investment properties which amounted to approximately HK$947,000 (31 December 2009: HK$947,000) and HK$166,000,000 (31 December 2009: HK$166,000,000), respectively, were pledged for obtaining the banking facilities for certain subsidiaries of the Group.

(b) The Group's bank deposit of approximately HK$5,791,000 (31 December 2009: HK$7,041,000) was pledged to a bank for the completion of a sale agreement with a customer. This pledge of bank deposit is released subsequent to the period ended 30 June 2010.

10. INTERESTS IN ASSOCIATES

As at 30 June 2010, the Group holds approximately 33.43% interests in Melco Crown Entertainment, 28.8% interests in Melco China Resorts (Holding) Limited (to be renamed as Mountain China Resorts (Holding) Limited subject to finalisation by the TSX Venture Exchange) ("MCR"), 58.7% interests in Power Way Group Limited, 11.0% interests in MelcoLot Limited, 20.0% interests in iAsia Online Systems Limited and 39.5% interests in Entertainment Gaming Asia Inc.. During the period ended 30 June 2010, the Group recognised share of losses of these associates of approximately HK$101,997,000 (six months ended 30 June 2009: HK$511,713,000).

11. AMOUNTS DUE FROM ASSOCIATES

Included in amounts due from associates are:

i) amount due from an associate of approximately HK$578,578,000 (31 December 2009: HK$578,578,000) which is unsecured, interest bearing at Hong Kong Interbank Offered Rates ("HIBOR") (31 December 2009: HIBOR) per annum and not repayable within twelve months from the end of the reporting period. This associate continues to expand its gaming business in Macau and the Group considers no impairment on the amount due from this associate;

ii) amount due from an associate of approximately HK$71,294,000 (31 December 2009: HK$73,076,000) which is unsecured and interest bearing at 5% per annum. During the period ended 30 June 2010, the Group has agreed with the associate to revise the repayment schedules and the amount due from this associate of HK$71,294,000 will be repayable after twelve months from the end of the reporting period. At 31 December 2009, approximately HK$24,333,000 out of the HK$73,076,000 was repayable within twelve months from the end of the reporting period and the remaining HK$48,743,000 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; and

iii) amount due from an associate of approximately HK$178,940,000 (31 December 2009: HK$190,610,000) less impairment loss recognised of HK$178,940,000 (2009: HK$189,506,000). As at 30 June 2010, amount due from an associate of approximately HK$178,940,000 is unsecured, interest bearing at 3% per annum and repayable on 31 March 2013. Pursuant to the agreement signed between the Group, MCR and a shareholder of MCR ("MCR Shareholder"), the MCR Shareholder has a right to require the Group to convert all or part of the amount due from the associate of approximately HK$178,940,000 at 50% discount plus accrued interest at a price (the "Conversion Price") equal to (a) 70% of MCR's 30 consecutive day weighted average trading price or (b) C$1.0 whichever is greater if the above weighted average trading price exceeds of C$1.0; and the MCR Shareholder has an option to buy one-third of the converted shares referred to above from the Group at the Conversion Price within 30 days of the conversion.

    As at 31 December 2009, amount due from an associate of approximately HK$11,670,000 is unsecured and repayable on 28 January 2010 and approximately HK$178,940,000 is unsecured and repayable on 31 March 2010.

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

12. INVESTMENT IN CONVERTIBLE LOAN NOTE

During the period ended 30 June 2010, a decrease in fair value of approximately HK$5,236,000 (six months ended 30 June 2009: an increase in fair value of approximately HK$77,629,000) regarding the MelcoLot Limited's convertible loan note was recognised in the profit or loss. The decrease in fair value of the MelcoLot Limited's convertible loan note is as a result of the decrease in share price of MelcoLot Limited. As at 30 June 2010, the fair value of the investment in MelcoLot Limited's convertible loan note of approximately HK$252,503,000 (31 December 2009: HK$257,739,000) is determined using binomial model and discounted cash flow approach for different components.

13. TRADE RECEIVABLES

	As at 30 June 2010 *HK$'000* **(unaudited)**	As at 31 December 2009 *HK$'000*
Trade receivables *(note)*	**4,145**	70,563
Less: allowance for doubtful debts	**–**	(8,033)
	4,145	62,530

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

	As at 30 June 2010 *HK$'000* **(unaudited)**	As at 31 December 2009 *HK$'000*
Within 30 days	**2,064**	37,556
31 – 90 days	**779**	9,537
Over 90 days	**1,302**	15,437
	4,145	62,530

Note: The Group's leisure, gaming and entertainment and property and other investments segments are largely operated on cash on delivery or payment in advance terms, except for those well-established customers to whom credit terms of 30 to 120 days would be granted.

14. TRADE PAYABLES

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

	As at 30 June 2010	As at 31 December 2009
	HK$'000	*HK$'000*
	(unaudited)	
Within 30 days	**2,370**	76,246
31-90 days	**–**	13,086
Over 90 days	**4**	3,431
	2,374	92,763
Trade payable by instalment *(note)*	**–**	17,550
	2,374	110,313

Note: The amount represents trade payable to vendors by instalment for one year bearing interest at 5% per annum.

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

	As at 30 June 2010	As at 31 December 2009
	HK$'000	*HK$'000*
	(unaudited)	
Secured	**58,400**	66,600
Unsecured	**150,000**	150,000
	208,400	216,600
Carrying amount repayable:		
Within one year	**16,400**	166,400
More than one year, but not exceeding two years	**192,000**	50,200
	208,400	216,600
Less: Amounts due within one year shown under current liabilities	**(16,400)**	(166,400)
	192,000	50,200

All the bank borrowings are denominated in HK$, the functional currency of relevant group entities, with interest rates of HIBOR plus 1.2% to 1.65% (31 December 2009: HIBOR plus 1.2% to 1.5%) per annum.

16. 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.

On 18 February 2010, pursuant to the Deed of Amendment, which is entered into between the Company and the holder of the convertible loan note, the maturity date of convertible loan note 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. The early redemption option of the Company allows the Company to redeem all or part of the outstanding convertible loan note at any time prior to the maturity date at par. The early redemption option of the holder of the convertible loan note only allows the holder to require the Company to redeem the convertible loan note at par if (a) the Company's major shareholder, Mr. Lawrence Ho, ceases to hold at least 30% of issued shares of the Company; (b) a general offer by way of takeover is made to all or substantially all the holders of shares in the Company and such offer becomes or is declared unconditional; or (c) a privatisation proposal by way of scheme of arrangement is made and approved by the necessary numbers of shareholders of the Company at the requisite meetings.

The fair value of the amended convertible loan note is approximately HK$1,150,815,000 and the amendment resulted in the derecognition of amortised cost of the financial liability of convertible loan note before amendment of approximately HK$1,137,868,000, the release of the original equity component of the convertible loan note of approximately HK$12,947,000 and the transfer of the remaining original equity component of the convertible loan note of approximately HK$294,306,000 to accumulated profits. In addition, the early redemption options are considered as closely related to the debt component of the amended convertible loan note. As a result, upon the amendment, the Group recognised new financial liability, equity component of the convertible loan note and related deferred tax liability of approximately HK$758,230,000, HK$392,585,000 and HK$68,767,000, respectively.

17. CONTINGENT LIABILITIES

The Group recognised a financial guarantee liability of HK$163,920,000 (31 December 2009: HK$146,188,000) in respect of the exchangeable bonds issued by Melco Crown SPV Limited, a jointly controlled entity of the Group, which are jointly and severally guaranteed by the Company and Crown Limited, a shareholder of Melco Crown Entertainment.

18. EVENTS AFTER THE END OF THE INTERIM PERIOD

As disclosed in note 6 above, the Group entered into a sale agreement to dispose of its 100% equity interest in ELI, which carried out the Group's technology business. The purpose of the disposal is to streamline and focus the Group's business on the leisure and entertainment segment. The disposal of ELI was completed on 16 July 2010 and the resulted loss on disposal of ELI is approximately HK$3,500,000.

MANAGEMENT DISCUSSION & ANALYSIS

Significant Events and Developments

Melco International Development Limited ("Melco" or the "Group") has made a good start in the year of 2010, thanks to the steady global economic recovery and the surge in Macau gaming industry revenue. Melco has grown with the overall market and progressed significantly in the first half of 2010, particularly within its core business of leisure, gaming and entertainment. In addition, the Group continued to maintain a healthy financial position with low gearing ratio. Followings are the highlights of achievements made by various business units of the Group in the six months ended 30 June 2010.

CORE BUSINESS

Gaming business in Macau

The Group operates its gaming business in Macau through its 33.43%-owned associate, Melco Crown Entertainment Limited ("Melco Crown Entertainment"), which is listed on the NASDAQ Global Select Market in the US. Benefiting from the improved economy and operating environment for the Macau gaming industry, Melco Crown Entertainment has achieved significant sequential improvement in its result through the combined efforts of Altira Macau's stable VIP performance; City of Dreams' ramp-up of its mass market business; Mocha Clubs' stable slot revenue as well as prudent cost management.

With City of Dreams' continued enhancements on its mass gaming infrastructure and ongoing initiatives in brand-building, its business mix continued to shift favorably with a greater contribution from the higher-margin mass market segment. VIP gaming volume and mass market gaming volume at City of Dreams continued to show meaningful sequential growth in the second quarter of 2010, with a 24% sequential increase in rolling chip volume and a 9% sequential increase in mass market table gaming revenue. Customer base continued to show encouraging expansion, with approximately 6 million visitors or an average of approximately 33,300 visitors per day recorded during the period, validating the enhancements made to City of Dreams' mass gaming infrastructure.

Altira Macau has had a smooth transition into the traditional VIP gaming business model last year. It has continued to record encouraging performance, with rolling chip turnover exceeding pre-commission cap levels. By dealing with junkets directly, the profitability of its VIP business has enjoyed sustained improvement.

Gaming Machine Revenue Participation Business in Pan Asia

Entertainment Gaming Asia Inc. (formerly known as Elixir Gaming Technologies, Inc.) ("EGT"), in which the Group has an effective equity interest of 39.5%, made solid progress in tapping into the gaming machine revenue participation opportunities in certain emerging gaming markets in Pan Asia. During the period, EGT achieved strong growth in revenue, driven by EGT's operations at NagaWorld, a hotel and casino resort in the capital city of Cambodia, Phnom Penh, as a result of strong average net win per machine and higher number of machines in operation.

In April 2010, EGT entered into an agreement with Grand Golden Co. Ltd. to place approximately 60 electronic gaming machine seats on a participation basis at its new Grand Golden casino in the Kampong Cham Province of Cambodia (north east of Phnom Penh) near the Vietnam border.

In May 2010, EGT announced its two-pronged approach to its growth strategy; for its gaming operations as a provider of gaming machines on a participation basis and as a casino owner and operator in certain emerging gaming markets in Pan Asia. Further to this strategy, on 26 May 2010, EGT formed a new company in Cambodia, Dreamworld (Takeo) Investment Holding Limited ("Dreamworld Holding") for the acquisition of a parcel of land in the Takeo Province of Cambodia, a border area of Cambodia and Vietnam, with a total area of approximately seven acres (30,000 square meters). On 21 May 2010, a license to build and open a casino hotel in the Takeo Province of Cambodia was granted by the Government of the Kingdom of Cambodia to Dreamworld Leisure (Cambodia) Limited ("Dreamworld Leisure"), another new wholly-owned subsidiary of EGT. EGT's business expansion into casino operations marked a significant enhancement of the Group's gaming portfolio in Asia.

On 26 July 2010, EGT changed its name to Entertainment Gaming Asia Inc. to more aptly reflect EGT's expanded gaming business model, particularly in relation to the strategy to own and operate casinos in the Indo-China region to complement its existing electronic gaming machines participation business. EGT's common stock continues to trade on the NYSE American Stock Exchange under the symbol "EGT".

Lottery Management Business in Asia

MelcoLot Limited ("MelcoLot"), in which the Group has a 35.1% effective interest on a fully diluted basis (assuming full conversion of all outstanding convertibles) has enhanced its development efforts in new lottery-related growth opportunities. MelcoLot is targeting the mobile lottery space through the acquisition of a 35% equity interest in China Excellent Net Technology Investment Limited, a company that is engaged in provision of lottery related technology solutions and management services for mobile lotteries in China, in March 2010. In July 2010, MelcoLot also acquired a 40% interest in ChariLot Company Limited, which is primarily engaged in securing contracts for the supply of lottery terminals and provision of technical support and operation consultating in China. These acquisitions will enable MelcoLot to leverage its superior lottery software capabilities and will support the further expansion of its business in the rapidly growing China lottery market.

NON-CORE BUSINESS

Ski Resort Business in China

During the review period, the Group operated its ski resort business through Melco China Resorts (Holding) Limited (to be renamed as Mountain China Resorts (Holding) Limited subject to finalisation by the TSX Venture Exchange) ("MCR"), which is listed in Canada. On 8 April 2010, MCR 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. Upon completion of the transactions, the Group's shareholding in MCR was diluted from 49.3% to 28.8%.

MCR owns and operates the largest destination ski resort in the PRC, namely, Sun Mountain Yabuli Resort in Heilongjiang ("Yabuli Resort", host of the 2009 World Winter University Games).

During the review period, MCR has signed a strategic relationship agreement with Club Med Asie S.A. ("Club Med") to operate and manage two of the new hotels at Yabuli Resort. MCR has also entered into a strategic relationship agreement with the China Entrepreneurs Forum ("CEF") under which CEF will hold all of its future Annual Forums at Yabuli Resort. Leveraging Club Med's and CEF's renowned reputation and marketing expertise, the partnerships enable MCR to further extend its reach in China.

ACHIEVEMENTS AND AWARDS

Leveraging on the Group's high standards of corporate governance and its socially responsible business practices, the Group received a number of accolades during the six months ended 30 June 2010.

For the Group's commitment to good corporate governance, Melco once again received the "Best Corporate Governance" award for the second consecutive year by the authoritative FinanceAsia magazine in 2010. Melco was acknowledged as one of Hong Kong's "Best Managed Companies" for the fourth year running. It was also honored as the "Best Mid-Cap" and "Best in Corporate Social Responsibility", with Chairman and Chief Executive Officer, Mr. Lawrence Ho selected as one of the "Best CEOs in Hong Kong". In striving for innovation and excellence, its corporate social responsibility report won a Silver Award in PDF version of Annual Report category at the 2010 International ARC Awards.

On the social responsibility front, Melco was recognized as a Double Diamond Corporate Member of WWF-Hong Kong and awarded the Caring Company Logo by the Hong Kong Council for Social Service for five straight years in recognition of its consistent support in community services. The Group was again granted the President's Award 2010 by The Community Chest for its dedicated efforts in subsidizing green-related educational and research projects. Along these lines, Melco launched a "Greening in Melco" program and received "Class of Excellence" in Wastewise Label from Hong Kong Awards for Environmental Excellence in 2010, providing ample testimony to its efforts in promoting green initiatives in the living and working environment.

Underscoring its position as a world-class gaming enterprise, Melco Crown Entertainment was awarded the "Best Operator Australasia" at the International Gaming Awards 2010. It was ranked as a "CIO Top 100" honouree by the notable CIO Asia Magazine as well as the Top Winner at IDC Enterprise Innovation Awards. Besides, Altira Macau was named the "Best Luxury Hotel in Macau" by TTG China Travel Awards in 2010. City of Dreams, one of the iconic landmarks in Macau, received awards, "Best Leisure Development in China" and "Best Leisure Development in Asia Pacific", at the International Property Awards; and Starlight Award at the Third Most Popular Brand for Mainland Visitors – Excellent Hong Kong and Macau Brands. Its Hard Rock Hotel, Asia's newest and brightest entertainment experience, was also named "Best New Opening Hotel in Macau 7th Golden-Pillow Award" by the 21st Century Business Herald and Business Travel Magazine.

All of these awards acknowledged both the community's and industry's recognition and confidence in the Group's performance and management standards. These accolades encourage the Group to aspire to achieve the best corporate practices and deliver the highest quality services to customers. Melco will strive to sustain its spirit as a socially responsible and a renowned gaming enterprise, ultimately ensuring that the Group runs a highly transparent operation and is accountable to its shareholders.

OUTLOOK

China's meteoric economic ascendancy has given rise to the rapid expansion of its middle class, a potentially large customer base. This trend, combined with a series of large-scale infrastructure enhancement projects in place in Macau, including a new ferry terminal, Macau Light Rail Transit and Hong Kong-Zhuhai-Macau Bridge, provide a robust source expected to generate an increase in both numbers of visitors and gaming revenue in Macau for years to come. Looking into the second half of 2010, as the loyal customer base of its gaming assets continues to grow and with the expansion of all-round non-gaming entertainment amenities at City of Dreams, the Group is confident to advance its VIP business and to further penetrate the more profitable mass market.

It is the Group's vision to develop City of Dreams as "A World of Firsts", conceived and built on a grand scale to be one of the world's most innovative and creative gaming, entertainment and leisure destinations. "The House of Dancing Water" to be opened on 17 September 2010 is definitely the highlight of Melco Crown Entertainment's key development in 2010. It is the largest water theater show ever staged in the world. The performance is expected to embellish the brand of City of Dreams, especially in Mainland China, and in turn help boost its market share in both the gaming and non-gaming entertainment industry.

With the full operation of City of Dreams commencing, Melco had progressed from a company focused on development to an enterprise dedicated to efficient operations and delivery of service excellence while maximizing the financial performance of its assets. After thorough review of its management structure and business needs, Melco Crown Entertainment has reorganized its operation and management structure to maximize efficiency in the pursuit of improved return on investment and expansion of its margins.

The management views that the restructuring will enable parallel and highest-caliber focus on its core business – gaming and entertainment operations that personify the aspirational brand proposition through exceptional customer experience. The restructuring also enables Melco Crown Entertainment's properties to maximize customer loyalty and lifetime value through a shared customer base, and enhance synergies between the properties through sharing of knowledge, expertise and cross fertilization of ideas while keeping each property's unique individual brand proposition that is geared towards each strategic market segment.

Looking ahead, the management is confident that these changes will yield meaningful benefits to our operations, both in terms of revenue generation and resource efficiency, and hence boost its expansion in Asia to ultimately become one of the most successful companies in the industry. With full operating results and increased market share from Melco Crown Entertainment's comprehensive portfolio comprising City of Dreams, Altira Macau and Mocha Clubs, the Group is confident the future will bring notable improvement in the performance of our core leisure and entertainment business.

FINANCIAL REVIEW

To facilitate the review, the segmental information from continuing operations shown in Note 3 and the discontinued operation shown in Note 6 to the Condensed Consolidated Financial Information is reproduced below with some minor re-arrangements:

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Segmental results from continuing operations:		
Leisure, Gaming and Entertainment	**291**	(1,332)
Property and Other Investments	**13,186**	27,772
Intra-group elimination	**–**	12
Group operating results from continuing operations	**13,477**	26,452
Segmental result from discontinued operation:		
Technology	**(9,960)**	8,588
Group operating results from continuing and discontinued operations	**3,517**	35,040
Share of losses of associates	**(101,997)**	(511,713)
Share of loss of a jointly controlled entity	**–**	(155,351)
Loss on deemed disposal of interest in an associate	**(3,712)**	(176,421)
Fair value changes on derivative financial instruments	**(34)**	(30)
Fair value change on investment in convertible loan note	**(5,236)**	77,629
Loss on disposal of available-for-sale investment	**–**	(1,172)
Loss on disposal of a subsidiary	**–**	(1,804)
Unallocated income	**6,655**	27,259
Central administrative costs and other unallocated expenses	**(65,765)**	(49,095)
Finance costs	**(51,407)**	(55,103)
Loss before tax	**(217,979)**	(810,761)
Income tax expense	**–**	(602)
Loss for the period	**(217,979)**	(811,363)
Non-controlling interests	**(172)**	(527)
Loss for the period attributable to owners of the Company	**(218,151)**	(811,890)

For the six months ended 30 June 2010, the Group reported loss attributable to owners of the Company of HK$218.2 million compared to a loss of HK$811.9 million for the same period in 2009.

CONTINUING OPERATIONS

LEISURE, GAMING AND ENTERTAINMENT

For the six months ended 30 June 2010, segmental profit from this segment amounted to approximately HK$0.3 million (six months ended 30 June 2009: segmental loss of HK$1.3 million) and was made up as follows:

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Jumbo Kingdom	**335**	(609)
Others	**(44)**	(723)
	291	(1,332)

Jumbo Kingdom

Jumbo Kingdom includes the Jumbo and Tai-Pak floating restaurants located in Aberdeen, Hong Kong. Due to the increase in patronage partially offset by the provision of maintenance work and safety feature upgrades during the period, the business made a positive contribution of approximately HK$0.3 million for the six months ended 30 June 2010 (six months ended 30 June 2009: loss of HK$0.6 million).

Others

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

Other leisure, gaming and entertainment businesses

Other leisure, gaming and entertainment businesses, e.g. the Macau gaming business (conducted via 33.43%-owned Melco Crown Entertainment) and the gaming machine revenue participation business (conducted through 39.5%-owned EGT) are reported below under "SHARE OF LOSSES OF ASSOCIATES".

PROPERTY AND OTHER INVESTMENTS

This division handles property and other treasury investments for the Group. For the six months ended 30 June 2010, it recorded a segmental profit of HK$13.2 million (six months ended 30 June 2009: HK$27.8 million). The decrease is primarily due to the drop in short term deposit interest rates as compared to the same period last year.

DISCONTINUED OPERATION

TECHNOLOGY

The Group's technology business is conducted through its wholly owned subsidiary, Elixir Group Limited ("Elixir Technology"). Negative contribution from this segment was approximately HK$10.0 million for the six months ended 30 June 2010 (six months ended 30 June 2009: segmental profit of HK$8.6 million) and was made up as follows:

	Six months ended 30 June	
	2010	2009
	HK\$'000	*HK\$'000*
	Unaudited	Unaudited
Elixir Technology	**(9,960)**	4,629
iAsia Online Systems Limited ("iAsia Online")	**–**	3,972
Others	**–**	(13)
	(9,960)	8,588

Elixir Technology

Elixir Technology is a company specializing in the design, engineering, management and implementation of comprehensive information, communications and technologies disciplines for property development with emphasis on hotel and casino building infrastructures.

It made a negative contribution of approximately HK$10.0 million for the six months ended 30 June 2010 (six months ended 30 June 2009: profit of HK$4.6 million) mainly due to the lack of large-scale projects similar to the one with City of Dreams which was completed in 2009. Its operation was subsequently disposed of in July 2010.

iAsia Online

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

SHARE OF LOSSES OF ASSOCIATES

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

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Share of loss of Melco Crown Entertainment (1)	**(103,994)**	(474,984)
Share of loss of EGT (2)	**–**	(21,067)
Share of loss of MelcoLot (3)	**–**	(1,259)
Share of loss of MCR (4)	**–**	(17,839)
Share of profit of iAsia Online (5)	**839**	260
Share of profit of Power Way Group Limited ("Power Way") (6)	**1,158**	1,126
Share of profit of Value Convergence Holdings Limited ("VC") (7)	**–**	2,050
	(101,997)	(511,713)

(1) Share of loss of Melco Crown Entertainment

For the period under review, the Group's attributable loss arising from its 33.43%[1] ownership of Melco Crown Entertainment amounted to approximately HK$104.0 million (six months ended 30 June 2009: attributable loss of HK$475.0 million).

According to the financial statements (prepared under US GAAP) of Melco Crown Entertainment, it reported a net revenue of US$1,141.2 million for the six months ended 30 June 2010, versus US$432.3 million for the six months ended 30 June 2009. The year-over-year increase in net revenue was driven by the opening of City of Dreams in June 2009, providing only a limited contribution to the comparable period in the prior year.

The combined rolling chip table games hold percentage (calculated before discounts and commissions) across City of Dreams and Altira Macau in the first quarter of 2010 was 2.9% and 2.7% in the second quarter of 2010, which are within the expected hold percentage range of 2.7% to 3.0% for rolling chips. The combined mass market (or non rolling chip) table games hold percentage in the first quarter of 2010 was 19.7% and further improved to 21.5% in the second quarter of 2010, which are above the previous target hold percentage range of

[1] The Group's interest in Melco Crown Entertainment had decreased to 33.43% as a result of the vesting of certain restricted shares issued by Melco Crown Entertainment for the six months ended 30 June 2010.

16.0% to 18.0%, but consistent with the mass market hold percentage at mass market focused properties, such as City of Dreams. Going forward, Melco Crown Entertainment targets 18% to 20% for its combined mass market table games hold percentage.

Melco Crown Entertainment reported a net loss of US$42.6 million for the first six months of 2010, compared to a net loss of US$179.3 million for the first six months of 2009. The year-over-year improvement in its operating result was primarily attributable to the opening of City of Dreams in June 2009, along with a significant improvement in the operating performance of Altira Macau.

For the six months ended 30 June 2010, net revenue at City of Dreams was US$645.6 million versus US$26.8 million in the same period of 2009. Its Adjusted EBITDA was US$113.8 million, compared to a negative Adjusted EBITDA of US$12.2 million for the six months ended 30 June 2009. Rolling chip volume totalled US$22.0 billion for the review period, up from US$1.94 billion in the same period of 2009. In the mass market table games segment, drop (a measure of mass market gaming volume) totalled US$963.1 million, up from US$100.0 million generated in the corresponding period of 2009.

For the six months ended 30 June 2010, net revenue at Altira Macau was US$427.8 million versus US$342.8 million in the same period of 2009. Altira Macau generated an Adjusted EBITDA of US$58.5 million in the review period compared with US$13.8 million in the same period of 2009. Rolling chip volume totalled US$19.4 billion for the review period, up from US$18.8 billion in the same period of 2009. In the mass market table games segment, drop (a measure of mass market gaming volume) totalled US$147.6 million, slightly down from US$149.6 million generated in the corresponding period of 2009.

Net operating revenue from Mocha Clubs totalled US$53.6 million in the six months ended 30 June 2010, up from US$48.5 million in the corresponding period of 2009. Mocha Clubs generated US$13.6 million of Adjusted EBITDA in the review period, which compares with US$12.9 million in the same period last year. In the second quarter of 2010, the number of gaming machines in operation at the Mocha Clubs averaged approximately 1,570. The average net win per gaming machine per day was US$184 in the second quarter of 2010, as compared with US$178 in the same period of 2009.

(2) Share of loss of EGT

Listed on the NYSE Amex, EGT is a leading provider of electronic gaming machines on a revenue sharing basis to gaming establishments in the Pan-Asian region. It retains ownership of the gaming machines and systems, receiving recurring fees based on an agreed upon percentage of the net gaming win per machine, and provides on-site maintenance.

During the year 2009, the Group's interest in 39.5%-owned EGT was written down to zero. As an investment could not be written down below zero, the loss attributable to the Group was only restricted to the carrying value of the investment. For the six months ended 30 June 2010, no further attributable loss was incurred to the Group (six months ended 30 June 2009: attributable loss of HK$21.1 million).

According to the financial statements of EGT (prepared under US GAAP), consolidated revenue for the six months ended 30 June 2010 increased to approximately US$9.4 million as compared to approximately US$7.5 million in the six months ended 30 June 2009. The increase in revenue was driven by strong performance by gaming machines on participation and the non-gaming business partially offset by a decline in the table game operations due to a large RFID gaming chip order recorded in the six months ended 30 June 2009. Revenue from EGT's gaming participation operations for the six months ended 30 June 2010 was US$6.4 million as compared to US$2.7 million for the six months ended 30 June 2009. For the six months ended 30 June 2010, EGT reported a net loss of approximately US$3.2 million compared to a net loss of approximately US$6.4 million for the six months ended 30 June 2009.

As of 1 August 2010, EGT had an operating machine base of 1,544 machines at a total of seven venues, comprised of six venues in the Philippines with a total of 888 installed units and one venue in Cambodia with a total of 656 installed units.

With an improved operating structure, strong cash flow from its core gaming participation business, and enhanced financial flexibility due to the deferment of principal repayments on its outstanding note until July 2011, EGT is building its cash position which can be deployed for future expansion and is focused on selectively pursuing gaming projects that offer the potential to maximize its long-term returns.

(3) Share of loss of MelcoLot

During the year 2009, the Group's interest in MelcoLot was written down to zero. As an investment could not be written down below zero, the loss attributable to the Group was only restricted to the carrying value of the investment. For the six months ended 30 June 2010, no further attributable loss was incurred to the Group (six months ended 30 June 2009: attributable loss of HK$1.3 million).

According to the financial statements of MelcoLot, it recorded a revenue of HK$35.3 million for the six months ended 30 June 2010 (six months ended 30 June 2009: HK$35.3 million). Loss from continuing operations amounted to HK$66.2 million (six months ended 30 June 2009: HK$63.5 million), which included considerable non-cash charges on account of: (i) imputed interest expenses on convertible bonds of HK$36.1 million (2009: HK$32.4 million); and (ii) depreciation and amortization of HK$11.3 million (2009: HK$12.9 million).

The loss of HK$5.8 million from discontinued operations disclosed in the six months ended 30 June 2009 related to MelcoLot's network system integration operations, which were disposed of in December 2009 in order to enable MelcoLot to enhance its development efforts in relation to new lottery related growth opportunities.

(4) Share of loss of MCR

During the year 2009, the Group's interest in MCR was written down to zero. As an investment could not be written down below zero, the loss attributable to the Group was only restricted to the carrying value of the investment. For the six months ended 30 June 2010, no further attributable loss was incurred to the Group (six months ended 30 June 2009: attributable loss of HK$17.8 million).

According to the financial statements (prepared under Canadian GAAP) of MCR, total revenue and net result from continuing operations were driven by resort operations. No real estate sales activities were undertaken during 2009 and 2010. Revenue from continuing operations totalled C$2.4 million for the six months ended 30 June 2010 versus C$1.7 million for the same period in 2009. Resort operations were severely limited in both 2009 and 2010 due to MCR's financial constraints caused by the global financial crisis. MCR recorded a net loss of C$8.6 million for the six months ended 30 June 2010 (six months ended 30 June 2009: C$20.1 million), representing a decrease of 57%.

(5) Share of profit of iAsia Online

On 4 June 2009, the Group completed the disposal of 80% of the issued share capital of its wholly-owned subsidiary, iAsia Online at a consideration of HK$12 million. iAsia Online thus ceased to be a subsidiary of the Group and has thenceforth been accounted for as an associate.

The profit attributable to the Group from its 20% ownership of iAsia Online for the six months ended 30 June 2010 was HK$0.8 million compared to HK$0.3 million for the period from 4 June 2009 to 30 June 2009.

(6) Share of profit of Power Way

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

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

For the six months ended 30 June 2010, the Group's attributable profit arising from Power Way amounted to approximately HK$1.2 million (six months ended 30 June 2009: attributable profit of HK$1.1 million).

(7) Share of profit of VC

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

The profit attributable to the Group from its 43.4% ownership for the six months ended 30 June 2009 was HK$2.1 million.

SHARE OF LOSS OF A JOINTLY CONTROLLED ENTITY

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

On 11 September 2007 and 24 September 2007, the Exchangeable Bonds with an aggregate principal amount of HK$1,560 million (US$200 million) and HK$390 million (US$50 million) respectively (together US$250 million) were issued. Both of these Exchangeable Bonds will mature in September 2012 and have been listed on the Singapore Stock Exchange. The holders of these bonds have a put option exercisable in September 2010 to require Melco Crown SPV to redeem the full amount of the aggregated principal amount. The put option is only exercisable on a single occasion in September 2010 and cannot be exercised after that date. The Exchangeable Bonds are jointly and severally guaranteed by the Group and Crown Limited.

During the year 2009, the Group's interest in Melco Crown SPV was written down to zero. As an investment could not be written down below zero, the loss attributable to the Group was only restricted to the carrying value of the investment. For the six months ended 30 June 2010, no further attributable loss was incurred to the Group (six months ended 30 June 2009: attributable loss of HK$155.4 million).

LOSS ON DEEMED DISPOSAL OF INTEREST IN AN ASSOCIATE

Loss on deemed disposal of interest in an associate was made up of the following item:

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Loss on deemed disposal of interest in Melco Crown Entrainment	**(3,712)**	(176,421)

During the six months ended 30 June 2010, the Group's ownership interest in its associate, Melco Crown Entertainment, decreased from 33.45% to 33.43%, as a result of the vesting of certain restricted shares issued by Melco Crown Entertainment. For the six months ended 30 June 2010, the Group recognized a loss of approximately HK$3.7 million (six months ended 30 June 2009: loss of HK$176.4 million) representing the decrease in net assets attributable to the Group.

FAIR VALUE CHANGES ON DERIVATIVE FINANCIAL INSTRUMENTS

During the six months ended 30 June 2010, a decrease in fair value regarding the warrants of MCR of approximately HK$34,000 (six months ended 30 June 2009: HK$30,000) was recognized.

FAIR VALUE CHANGE ON INVESTMENT IN CONVERTIBLE LOAN NOTE

During the six months ended 30 June 2010, the Group recognized a decrease in fair value of convertible loan note issued by MelcoLot amounting to approximately HK$5.2 million (six months ended 30 June 2009: an increase in fair value of HK$77.6 million).

UNALLOCATED INCOME

For the six months ended 30 June 2010, the unallocated income represents a gain of extension of long term payable to Crown Limited amounting to approximately HK$6.7 million.

For the six months ended 30 June 2009, the unallocated income consisted of amortized financial guarantee income of approximately HK$22.6 million in relation to the joint and several financial guarantee provided by the Company and Crown Limited for the Exchangeable Bonds issued by Melco Crown SPV in September 2007 and a gain on extension of long term payable to Crown Limited amounting to approximately HK$4.7 million.

CENTRAL ADMINISTRATIVE COSTS AND OTHER UNALLOCATED EXPENSES

Unallocated expenses increased by 34% from approximately HK$49.1 million for the six months ended 30 June 2009 to HK$65.8 million for the six months ended 30 June 2010. The increase was primarily due to the provision of financial guarantee liability net of amortized financial guarantee income of HK$17.7 million in relation to the joint and several financial guarantee provided by the Company and Crown Limited for the Exchangeable Bonds issued by Melco Crown SPV in September 2007.

FINANCE COSTS

Finance costs decreased by 6.7% from approximately HK$55.1 million for the six months ended 30 June 2009 to approximately HK$51.4 million for the six months ended 30 June 2010.

INCOME TAX EXPENSE

No income tax expense was recorded for the six months ended 30 June 2010 (six months ended 30 June 2009: HK$602,000).

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 bank borrowings.

As of 30 June 2010, total assets of the Group were HK$8,342.1 million (31 December 2009: HK$8,537.9 million) which were financed by shareholders' funds of HK$6,808.8 million (31 December 2009: HK$6,681.8 million), non-controlling interests of HK$27.5 million (31 December 2009: HK$27.3 million), current liabilities of HK$283.5 million (31 December 2009: HK$1,608.1 million), and non-current liabilities of HK$1,222.3 million (31 December 2009: HK$220.7 million). The Group's current ratio, expressed as current assets over current liabilities, was maintained at a satisfactory level of 3.3 (31 December 2009: 0.7).

During the six months ended 30 June 2010, the Group recorded a net cash outflow of HK$88.6 million (six months ended 30 June 2009: outflow of HK$123.1 million). As of 30 June 2010, cash and cash equivalents of the Group totalled HK$65.2 million (31 December 2009: HK$153.8 million). The gearing ratio, expressed as a percentage of total borrowings (including bank borrowings, convertible loan note and long term payable) over shareholders' funds, was at a satisfactory level of 17% as of 30 June 2010 (31 December 2009: 23%). The Group adopts a prudent treasury policy. 92% of bank balances and cash (including bank deposits with original maturity over three months) are put in short-term fixed deposits. All borrowings, bank balances and cash are mainly denominated in Hong Kong dollars and U.S. dollars to maintain stable exposure to foreign exchange risks. Also, as at 30 June 2010, the Group's bank deposit of approximately HK$5.8 million (31 December 2009: HK$7.0 million) was pledged to a bank for the completion of a sale agreement with a customer and bank deposit of approximately HK$0.9 million (31 December 2009: HK$0.9 million) was pledged for obtaining banking facilities for certain subsidiaries of the Group.

As at 30 June 2010, the Group's total convertible loan note amounted to HK$794.3 million, which was non-interest bearing and due in September 2013. The long term payable to Crown Limited by the Group amounted to HK$167.2 million, which was unsecured, non-interest bearing and due in May 2012. As at 30 June 2010, the Group's total available bank loan facilities from various banks amounted to HK$258.4 million (31 December 2009: HK$216.6 million), of which HK$58.4 million (31 December 2009: HK$66.6 million) was secured by pledging HK$166 million of the Group's investment properties. As at 30 June 2010, the Group utilized HK$150 million and HK$58.4 million of unsecured and secured bank loan facilities respectively (31 December 2009: unsecured HK$150 million; secured HK$66.6 million). Details of bank borrowings are given in Note 15 to the Condensed Consolidated Financial Information.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

During the review period and subsequently after the review period, the Group entered into the following disposals.

Deemed Disposal of MCR

On 8 April 2010, the Group's ownership interest in its associate, MCR decreased from 49.3% to 28.8% as a result of the net effect of i) a share placement by MCR in which MCR issued 100,000,000 new shares to WHL, a third party of the Group, ii) the conversion of approximately US$1,000,000 (equivalent to approximately HK$7,780,000) amount due from MCR into 6,686,666 common shares of MCR and iii) conversion of 8,437,565 class B non-voting shares held by the Group into common shares of MCR.

In connection to the above placement and conversion of shares, the Group signed an agreement with WHL whereas the amount due from MCR amounting to US$23,000,000 (equivalent to approximately HK$178,940,000) ("MCR Loan") will become interest bearing at 3% per annum and repayable at 31 March 2013. Moreover, WHL has the right to require the Group to convert all or part of MCR Loan at 50% discount plus accrued interest into MCR shares ("Converted Shares") at a price ("Conversion Price") equal to (a) 70% of the said weighted average trading price of MCR or (b) C$1.00 whichever is higher if MCR's 30 consecutive day weighted average trading price exceeds C$1.00 at any time before 31 March 2013. Also, WHL has a call option to purchase one-third of the Converted Shares at the Conversion Price within 30 days of the conversion.

Disposal of 100% Equity Interest in Elixir International Limited

In April 2010, the Group entered into an agreement to dispose of its 100% equity interest in a subsidiary, Elixir International Limited, which carried out the Group's technology business. The purpose of the disposal is to streamline and focus the Group's business on the leisure and entertainment segment. The disposal was subsequently completed on 16 July 2010 and the resulted loss on disposal of Elixir International Limited is approximately HK$3.5 million.

HEADCOUNT/EMPLOYEES' INFORMATION

The total number of the Group's employees was 10,765 as of 30 June 2010. Excluding the employees of associates such as Melco Crown Entertainment, MelcoLot, MCR, EGT and iAsia Online, the total number of the Group's employees became 278 as of 30 June 2010 (31 December 2009: 299 employees). Among the 278 employees, 241 are located in Hong Kong and the rest are based in Macau and China. The related staff costs for the six months ended 30 June 2010, including directors' emoluments, share options expenses and share award expenses, amounted to HK$54.0 million (six months ended 30 June 2009: HK$68.3 million).

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

CONTINGENT LIABILITIES

The Group recognised a financial guarantee liability of approximately HK$163.9 million as at 30 June 2010 in respect of the Exchangeable Bonds issued by Melco Crown SPV, a jointly controlled entity of the Group, which are jointly and severally guaranteed by the Company and Crown Limited.

FOREIGN EXCHANGE EXPOSURE

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

CORPORATE GOVERNANCE

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

The Company has complied with all provisions in the Company Code and the HKSE Code throughout the six months ended 30 June 2010, except for the following deviations:

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

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

AUDIT COMMITTEE

The Company's audit committee is currently composed of a Non-executive Director and three Independent Non-executive Directors. The primary duties of the audit committee are to (i) review the Group's annual reports, financial statements, interim reports and to provide advice and comments thereon to the board of directors of the Company; and (ii) review and supervise the financial reporting process and internal control procedures of the Group. The audit committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2010.

INDEPENDENT REVIEW

The interim results for the six months ended 30 June 2010 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Hong Kong Institute of Certified Public Accountants by the Company's auditor, whose independent review report is included in the interim report.

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

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

BOARD OF DIRECTORS

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

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

Hong Kong, 30 August 2010