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Melco International Development Limited

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A Hong Kong listed company with stock code : 200



# CONTENTS

	Page
MANAGEMENT DISCUSSION AND ANALYSIS	2
REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION	19
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	20
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	21
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	23
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	27
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	28
OTHER INFORMATION	40

# MANAGEMENT DISCUSSION & ANALYSIS

## Significant Events and Developments

The first half of 2009 marked another significant milestone in the development of the Group. While economies around the world were hard hit by the global financial crisis, the Group was able to weather through these challenges and made substantial progress across all its major business units during the review period.

Most importantly, after years of planning and hard work, the Group finally saw its flagship project, “City of Dreams”, becoming a reality. The project was conceptualized as early as when the Group forayed into the leisure and entertainment industry five years ago. Since its opening on 1st of June, City of Dreams has been well-received by the market and has succeeded in securing a sizeable market presence in Macau.

## Gaming Business in Macau

The Group operates its gaming business in Macau through its 34.1%-owned<sup>1</sup> associate Melco Crown Entertainment Limited (“Melco Crown Entertainment”) which is listed on NASDAQ in the US. With the opening of its flagship property, City of Dreams, on time and on budget, on 1 June 2009, Melco Crown Entertainment has effectively been transformed from a company focusing on development to a company focusing on operations. Satisfactory patronage was reported in the first month of operation with approximately 1.2 million visitors or an average of approximately 41,000 visitors per day.

Continuous marketing efforts have improved the awareness of City of Dreams in the region, which has in turn translated into growing gaming volumes. As Melco Crown Entertainment reported on 3 August 2009, the sequential improvement in mass table drop and rolling chip volume at City of Dreams between the first and second month of operation was 33% and 36% respectively. Gaming market share of Melco Crown Entertainment also improved substantially to 18% in July 2009 versus 9% in June 2009, a testimony to the success of this world-class hotel cum casino complex. Grand Hyatt Macau, within the City of Dreams Complex, is scheduled to open by the end of September 2009. It is expected that this will further increase the gaming revenue and market share of City of Dreams.

To better define its gaming and entertainment offerings in Macau, Melco Crown Entertainment re-branded Crown Macau as Altira Macau in April 2009 to provide a unique gaming environment to Asian rolling chip customers. This move is intended to avoid cannibalization between Altira Macau and City of Dreams and has been proven to be highly effective, evidenced by the fact that rolling chip volume at Altira Macau increased sequentially between June 2009 and July 2009 by 15% to US\$3.17 billion, after the opening of the City of Dreams.

As for Mocha Clubs, on 20 February 2009, the Mocha Square venue re-opened with 75 more gaming machines, bringing the total number of gaming machines in operation to approximately 1,500 across eight venues in Macau. Mocha Clubs continued to provide a stable source of income contribution to Melco Crown Entertainment during the review period.

<sup>1</sup> The Group's interest in Melco Crown Entertainment had decreased from 37.8% as at 1 January 2009 to 37.6% due to the vesting of certain restricted shares issued by Melco Crown Entertainment in March 2009. On 1 May 2009 a follow-on offering of new shares, in the form of ADS, was completed by Melco Crown Entertainment. As from that date, the Group's interest in Melco Crown Entertainment has been diluted to 34.1%.



### **Gaming Machine Revenue Participation Business in South East Asia**

Elixir Gaming Technologies, Inc. ("EGT"), in which the Group has an effective equity interest of 39.8%, made solid progress in tapping gaming machine revenue participation opportunities in South East Asia.

During the review period, EGT restructured its operations and streamlined its cost structure. The results of these initiatives were highly effective. EGT achieved record high results in the second quarter of this year more details of which are given in the latter part of this report.

In July 2009, EGT signed a contract with NagaCorp Ltd. (HKSE: 3918) to place an additional 200 electronic gaming machines on a participation basis at NagaWorld casino resort with the option to place a maximum of 200 more machines by the end of the year. NagaWorld is the only licensed casino in Phnom Penh, Cambodia. EGT currently operates approximately 240 machines in the Premier Club at NagaWorld with average win per unit per day of over US\$200 during May, June and July 2009.

In addition, EGT has also recently secured agreements to install a total of approximately 300 electronic gaming machines at two new venues in the Philippines, one of which is expected to be in operation in September and the other in October this year. All these electronic gaming machines are placed on a revenue sharing basis.

### **Lottery Management Business in Asia**

MelcoLot Limited ("MelcoLot"), in which the Group has a 30.1% effective interest on a fully diluted basis (assuming full conversion of all outstanding convertibles), has expanded its business beyond China after the Athens-listed global gaming technology and services provider, INTRALOT SA, and the Taiwan-listed Point-of-sales system and lottery vending terminal manufacturer, Firich Enterprises Co., Ltd., became its strategic partners last year. Foray into Korea was initiated by the acquisition of KTeMS Co., Ltd., a South Korean company holding 14% equity interest in Nanum Lotto Inc. ("Nanum"), which has the exclusive right to operate the nationwide welfare lottery, Nanum Lotto, in South Korea. With the strong support from its world class strategic shareholders, MelcoLot is well positioned to expand its market presence in China and beyond.

### **Ski Resort Business in China**

During the review period, the Group operates its ski resort business through 49.3%-owned Melco China Resorts (Holding) Limited ("MCR"), which is listed in Canada. MCR owns and operates two of the largest destination ski resorts in the PRC, namely, Sun Mountain Yabuli Resort in Heilongjiang ("Yabuli Resort", host of the 2009 World Winter University Games) and Sky Mountain Beidahu in the Jilin Province ("Beidahu Resort", host of the 2007 Asian Winter Games).



# MANAGEMENT DISCUSSION & ANALYSIS

Between Yabuli Resort and Beidahu Resort, MCR controls approximately 236.4 hectares of land and most of this land bank is capable of being used for future real estate development.

As both Yabuli Resort and Beidahu Resort are still at their development stages, MCR requires additional financing to meet its capital expenditures and working capital requirements. Therefore, during the review period, MCR has continued to actively pursue funding sources.

Subsequent to the review period, on 20 August 2009, MCR entered into a definitive agreement with China Entertainment Globe Ltd. ("CEG") in which, subject to completion, CEG will subscribe for 95,000,000 common shares in MCR at a subscription price of C\$0.15 for a total subscription amount of C\$14,250,000 (the "Private Placement"). On completion of the Private Placement which is expected to be some time in September 2009 upon satisfaction of all closing conditions, CEG will be holding approximately 49.8% of the equity interest of MCR and the Group's shareholding in MCR will be diluted to approximately 27%.

## Financial Services Business in Hong Kong and Macau

Value Convergence Holdings Limited ("VC"), in which the Group has an equity interest of 43.4%, is an established financial services group committed to delivering premium financial services and products to customers in the Greater China region.

Undermined by the global financial crisis during the review period, VC shared the fate of its peers in the marketplace and suffered from declining stock market trading volumes. However, despite the adverse market conditions, VC still managed to deliver a positive contribution to the Group.

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

## Achievements and Awards

During the six months ended 30 June 2009, the Group received a number of accolades for its good practices in corporate governance and social responsibilities. The Group's leisure and entertainment establishments have also won various industry awards.

In 2009, Melco won the "Corporate Governance Asia Annual Recognition Award 2009" by *Corporate Governance Asia* magazine for the fourth consecutive year. It was also recognized by *FinanceAsia* magazine as one of Hong Kong's "Best Managed Companies" for the third consecutive year in 2009, and was one of the "Best mid-cap companies" and "Best in Corporate Social Responsibility" in Hong Kong. Furthermore, the Group's Chairman and CEO, Mr. Lawrence Ho, was named one of the "Best CEOs in Hong Kong" by *FinanceAsia* in 2009. These awards serve to testify the investment community's recognition of the Group's performance and management standards.



On the social responsibility front, Melco was granted the “President Award 2009” by The Community Chest in recognition of its consistent support in community services. Melco is also being recognized as the Double Diamond Corporate Member of WWF Hong Kong. As a keen supporter of environmental protection, Melco initiated a “Greening in Melco” program, and received a Class of Good in the WasteWise Label of the Hong Kong Awards for Environmental Excellence in recognition of its efforts in reducing wastes and providing employees with a green workplace.

Melco’s Corporate Social Responsibility Report also won a Gold Award in the Social Responsibility Report category and a Bronze Award in the Printing and Production category, and its Annual Report gained a Bronze Award in the Interior Design category and Honors Award in Overall Annual Report category in the well recognized International ARC Awards 2009.

The Group’s luxurious hotel property, Altira Macau, was named “Best of Operator” at the International Gaming Awards 2009. It was also named “2009 Best Business Hotel – Macau” at the TTG China Travel Awards and its spa voted the “2009 Best Hotel Spa in Asia” by *Asia Spa & Wellness*.

## OUTLOOK

Many economists have recently commented that the worst of the recession is over and that the global economy is on its way to recovery with China leading the way. Melco, with its main market in Macau, which is highly linked to the fortune of China, is poised to benefit greatly from this expected economic recovery.

The Macau Government has recently announced that a new directive will soon be enacted to cap commission rates payable to junket operators, thus putting to bed the fear of a potential cut-throat competition among the six concessionaires and paving the way to a level playing field with the operators competing on products and quality of services, rather than on prices. With a new Chief Executive of Macau soon to take over administration vowing to foster economic growth of the city, coupled with talks that visa restrictions on PRC visitors to Macau will be further relaxed, we are highly confident on an imminent revival of growth in the Macau gaming market.

With the recent opening of our flagship integrated resort, City of Dreams, together with Altira Macau (specifically designed to cater for VIP rolling chip customers) and Mocha Clubs (specifically designed to cater for the grind market), the Group now boasts a comprehensive portfolio of assets serving all the customer segments and is therefore well-positioned to compete favorably with the other players in Macau.



## MANAGEMENT DISCUSSION & ANALYSIS

As always, our top priority remains the achievement of the highest possible returns for our shareholders whilst upholding the best corporate governance practices and fulfilling our corporate citizenship responsibilities.

### FINANCIAL REVIEW

To facilitate the review, the segmental information shown in Note 3 to the Condensed Consolidated Financial Statements is reproduced below with some minor re-arrangements:

	Six months ended 30 June	
	2009 HK\$'000 Unaudited	2008 HK\$'000 Unaudited
Segmental Result: Leisure, Gaming and Entertainment	(1,332)	921
Segmental Result: Technology	8,588	(3,268)
Segmental Result: Property and Other Investments	27,772	34,596
Intra-group elimination	12	(994)
Group operating result	35,040	31,255
Share of losses of associates	(511,713)	(122,395)
Share of (loss) profit of a jointly controlled entity	(155,351)	39,895
(Loss) gain on changes in interests in associates	(176,421)	53,856
Loss on disposal of a subsidiary	(1,804)	–
Fair value changes on derivative financial instruments	(30)	(191,420)
Fair value change on investment in convertible loan note	77,629	–
Loss on disposal of available-for-sale investment	(1,172)	–
Impairment loss recognised in respect of interests in associates	–	(313,000)
Unallocated corporate income	27,259	25,125
Central administrative costs and other unallocated corporate expenses	(49,095)	(83,261)
Finance costs	(55,103)	(53,907)
Loss before tax	(810,761)	(613,852)
Income tax expense	(602)	(11)
Loss for the period	(811,363)	(613,863)
Minority interests	(527)	(537)
Loss for the period attributable to owners of the Company	(811,890)	(614,400)

For the six months ended 30 June 2009, the Group reported loss attributable to owners of the Company of HK\$811.9 million as compared to a loss of HK\$614.4 million for the same period in 2008.



## LEISURE, GAMING AND ENTERTAINMENT

For the six months ended 30 June 2009, loss from this segment amounted to approximately HK\$1.3 million (six months ended 30 June 2008: profit of HK\$0.9 million) and was made up as follows:

	Six months ended 30 June	
	2009 HK\$'000 Unaudited	2008 HK\$'000 Unaudited
Jumbo Kingdom	(609)	2,291
Others	(723)	(1,370)
	<u>(1,332)</u>	<u>921</u>

### Jumbo Kingdom

Jumbo Kingdom includes the Jumbo and Tai-Pak floating restaurants located in Aberdeen, Hong Kong. Due to the decrease in patronage as a result of the global financial crisis, the business made a negative contribution of approximately HK\$0.6 million for the six months ended 30 June 2009 (six months ended 30 June 2008: profit of HK\$2.3 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 34.1%-owned Melco Crown Entertainment) and the gaming machine revenue participation business (conducted through 39.8%-owned EGT) are reported below under "SHARE OF LOSSES OF ASSOCIATES".



# MANAGEMENT DISCUSSION & ANALYSIS

## TECHNOLOGY

The Group's technology business is conducted through its wholly owned subsidiaries, Elixir Group Limited ("Elixir Technology") and iAsia Online Systems Limited ("iAsia Online"), which has become an associate as from 4 June 2009. Contribution from this segment was approximately HK\$8.6 million for the six months ended 30 June 2009 (six months ended 30 June 2008: loss of HK\$3.3 million) and was made up as follows:

	Six months ended 30 June	
	2009 HK\$'000 Unaudited	2008 HK\$'000 Unaudited
Elixir Technology	4,629	(6,639)
iAsia Online	3,972	3,387
Others	(13)	(16)
	<b>8,588</b>	<b>(3,268)</b>

### Elixir Technology

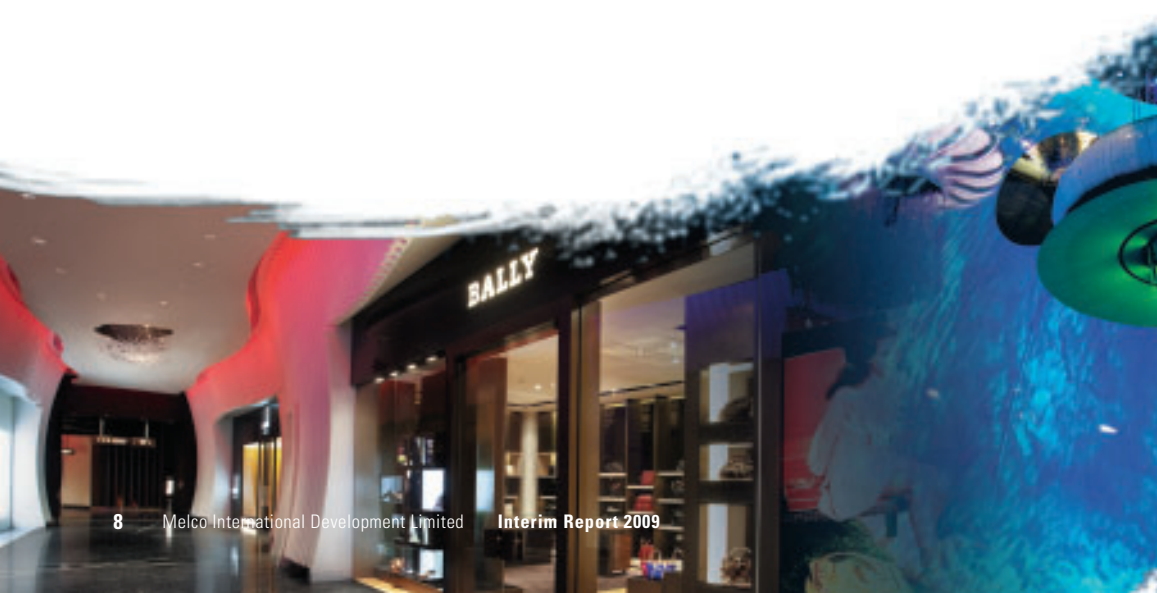
Elixir Technology is a gaming product supplier specializing in the design, development, and supply of gaming technologies, including surveillance equipment and other gaming products used in casinos.

It made a positive contribution of approximately HK\$4.6 million for the six months ended 30 June 2009 (six months ended 30 June 2008: loss of HK\$6.6 million). This significant improvement was due to the successful completion of certain major technology solution projects during the review period.

### iAsia Online

For the period from 1 January 2009 to 3 June 2009, the date after which iAsia Online became an associate, iAsia Online made a positive contribution to the Group of approximately HK\$4.0 million (six months ended 30 June 2008: HK\$3.4 million).

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



## PROPERTY AND OTHER INVESTMENTS

This division handles property and other treasury investments for the Group. For the six months ended 30 June 2009, it recorded a profit of HK\$27.8 million (six months ended 30 June 2008: HK\$34.6 million). The decrease is primarily due to the drop in short term deposit interest rates as compared to the same period last year.

## SHARE OF LOSSES OF ASSOCIATES

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

	Six months ended 30 June	
	2009 HK\$'000 Unaudited	2008 HK\$'000 Unaudited
Share of (loss) profit of Melco Crown Entertainment (1)	(474,984)	130,611
Share of profit of VC (2)	2,050	3,308
Share of loss of MCR (3)	(17,839)	(13,621)
Share of profit (loss) of Power Way (4)	1,126	(184,112)
Share of loss of MelcoLot (5)	(1,259)	—
Share of profit of iAsia Online (6)	260	—
Share of loss of EGT (7)	(21,067)	(58,581)
	<b>(511,713)</b>	<b>(122,395)</b>



# MANAGEMENT DISCUSSION & ANALYSIS

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

For the period under review, the Group's attributable loss arising from its 34.1%<sup>2</sup> ownership of Melco Crown Entertainment amounted to approximately HK\$475.0 million (six months ended 30 June 2008: attributable profit of HK\$130.6 million).

According to the financial statements (prepared under US GAAP) of Melco Crown Entertainment, Melco Crown Entertainment reported net revenue of US\$432.3 million for the six months ended 30 June 2009, versus US\$867.5 million for the six months ended 30 June 2008.

Melco Crown Entertainment reported a net loss of US\$179.3 million for the first six months of 2009, compared to a net profit of US\$37.5 million for the first six months of 2008. The year-over-year decrease in net revenue was primarily driven by lower rolling chip volume at Altira Macau in the first six months of 2009 as compared to the same period in 2008 and lower rolling chip hold percentage in the first six months of 2009 as compared to the same period in 2008.

City of Dreams opened on 1 June and contributed one full month of operating performance to Melco Crown Entertainment's first half results in 2009. For the six months ended 30 June 2009, net revenue at City of Dreams was US\$26.8 million and adjusted EBITDA was a loss of US\$12.2 million. Rolling chip volume totaled US\$1.94 billion and the rolling chip table games hold percentage (calculated before discounts and commissions) was 0.79%, below the target rolling chip hold percentage of 2.85%. In the mass market table games segment, drop (a measure of mass market gaming volume) totaled US\$100.0 million and the mass market table games hold percentage was 16.4%, which is within the expected range for mass market table games hold percentage of 16.0% – 18.0%.

For the six months ended 30 June 2009, net revenue at Altira Macau was US\$342.8 million versus US\$821.0 million in the same period of 2008. Altira Macau generated a positive adjusted EBITDA of US\$13.8 million in the review period compared with a gain of US\$116.3 million in the same period of 2008. Rolling chip volume totaled US\$18.8 billion for the review period, down from US\$37.9 billion in the same period of 2008 and rolling chip table games hold percentage (calculated before discounts and commissions) was 2.79% in the first quarter of 2009 and 2.45% in the second quarter of 2009, which are below the target rolling chip hold percentage of 2.85%. In the mass market table games segment, drop (a measure of mass market gaming volume) totaled US\$149.6 million, down from US\$188.9 million generated in the corresponding period of 2008. The mass market table games hold percentage was 13.7% in the first quarter of 2009 and 13.9% in the second quarter of 2009, which are below the expected range for mass market table games hold percentage of 16.0% – 18.0%.

Net operating revenue from Mocha Clubs totaled US\$48.5 million in the six months ended 30 June 2009, up from US\$45.2 million in the corresponding period of 2008. Mocha Clubs generated US\$12.9 million of adjusted EBITDA in the review period, which compares with US\$12.4 million in the same period last year. In the second quarter of 2009, the number of gaming machines in operation at the Mocha Clubs averaged approximately 1,440. The average net win per gaming machine per day was US\$178 in the second quarter of 2009, as compared with US\$228 in the same period of 2008.

<sup>2</sup> The Group's interest in Melco Crown Entertainment had decreased from 37.8% as at 1 January 2009 to 37.6% due to the vesting of certain restricted shares issued by Melco Crown Entertainment in March 2009. On 1 May 2009 a follow-on offering of new shares, in the form of ADS, was completed by Melco Crown Entertainment. As from that date, the Group's interest in Melco Crown Entertainment has been diluted to 34.1%.

## **(2) Share of profit of VC**

Listed on the Hong Kong Stock Exchange, VC offers corporate finance advisory services as well as brokering and dealing for clients in securities, futures and options contracts. Following a restructuring in September 2007, VC has since become an associate of the Group. The Group's attributable profit arising from its 43.4% ownership of VC amounted to approximately HK\$2.1 million for the six months ended 30 June 2009 (six months ended 30 June 2008: HK\$3.3 million).

According to its financial statements, VC recorded revenue of approximately HK\$63.7 million, down by HK\$9.0 million or 12.4%, compared to the corresponding period in 2008. This was primarily due to the global financial crisis that has undermined equity markets worldwide. Unaudited consolidated net profit after taxation for the first half of 2009 fell 37.9% year on year to HK\$4.7 million.

## **(3) Share of loss of MCR**

At at 31 December 2008, the interest in MCR was written down to HK\$10.9 million, its then prevailing market value. During the period, the Group's share of loss of MCR has exceeded the sum of this amount and the Group's share of reserves of MCR. As an investment cannot be written down below zero, the loss attributable to the Group is only restricted to the carrying value of the investment. Such a loss amounted to approximately HK\$17.8 million for the six months ended 30 June 2009 (six months ended 30 June 2008: HK\$13.6 million). Going forward, as the Group has already written down the value of its investment in MCR to zero, there will not be any attributable losses incurred in future accounting periods.

According to the financial statements (prepared under Canadian GAAP) of MCR, for the six month period ended 30 June 2009, MCR generated revenues from resort operations of C\$3.39 million and a net loss of C\$20.15 million. Total revenue and the net results were from resort operations with no real estate sales activities being undertaken during the six-month period ended 30 June 2009. Results in the six-month period were negatively impacted by a C\$4.9 million one-off charge relating to transaction and closing costs for a new RMB250 million (C\$42.2 million) debt facility from the China Construction Bank secured in March 2009, an increase in bank loan interest pertaining to the new facility, and additional depreciation charges on an increase in buildings and facilities associated with the completion of hotels at Yabuli Resort in February 2009.

## **(4) Share of profit (loss) of Power Way**

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

During the year ended 31 December 2008, Power Way distributed all shares and convertible loan 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 2009, the Group's attributable profit arising from Power Way amounted to approximately HK\$1.1 million (six months ended 30 June 2008: attributable loss of HK\$184.1 million, of which approximately HK\$180 million was due to a write-down of the fair value of certain convertible loan notes issued by MelcoLot and held by Power Way).

## MANAGEMENT DISCUSSION & ANALYSIS

### (5) Share of loss of MelcoLot

MelcoLot, a company listed on the GEM of the Hong Kong Stock Exchange (8198.HK), manages one of the largest lottery retail sales networks in China. With the technical support from its strategic partner Firich Enterprises Co., Ltd. (8076.TW), MelcoLot now owns 60% of a manufacturing plant in Shanghai which manufactures and distributes lottery vending terminals. In addition, the alliance with INTRALOT SA (INLOT: ATH) provides MelcoLot with access to the INTRALOT's renowned proprietary lottery software through various exclusivity arrangements in China, enabling it to be a strong bidder for any lottery-related projects in China as well as other Asian countries. MelcoLot's 100%-owned KTeMS Co Ltd also owns 14% of a consortium (comprising well respected local corporations and also INTRALOT) which operates the nationwide welfare lottery, Nanum Lotto, under an exclusive license from the government of South Korea.

As at 31 December 2008, the Group's interest in MelcoLot was written down to HK\$1.3 million. During the period, the Group's share of loss of MelcoLot has exceeded this amount. As an investment cannot be written down below zero, the loss attributable to the Group is only restricted to the carrying value of the investment. The share of further loss has discontinued after the Group's interest is written down to zero. The Group's attributable loss for the six months ended 30 June 2009 thus amounted to HK\$1.3 million (six months ended 30 June 2008: Nil). Going forward, as the Group has already written down the value of its investment in MelcoLot to zero, there will not be any attributable losses incurred in future accounting periods.

MelcoLot recorded revenue of HK\$162.9 million for the six months ended 30 June 2009 (six months ended 30 June 2008: HK\$235.2 million), representing a decrease of 30.7%. Consolidated loss attributable to owners of MelcoLot amounted to HK\$63.9 million (six months ended 30 June 2008: HK\$55.6 million). The lackluster operating underperformance was mainly due to the adverse macro economic environment caused by the financial turmoil. Also, a deemed interest expense on outstanding convertible bonds amounting to HK\$32.4 million for the six months ended 30 June 2009 (six months ended 30 June 2008: HK\$18.5 million) also contributed to the loss.

### (6) Share of profit of iAsia Online

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

The profit attributable to the Group from its 20% ownership of iAsia Online from 4 June 2009 to the end of the review period amounted to HK\$0.3 million.

### (7) Share of loss of EGT

Listed on the American Stock Exchange, EGT is a provider of gaming technology solutions on a revenue share model in Asia. It retains ownership of the gaming machines and systems and receives recurring daily fees based on an agreed upon percentage of the net gaming win per machine and provides on-site maintenance. For the six months ended 30 June 2009, the Group's attributable loss arising from 39.8%-owned EGT amounted to approximately HK\$21.1 million (six months ended 30 June 2008: HK\$58.6 million).

According to the financial statements of EGT (prepared under US GAAP), revenue for the six months ended 30 June 2009 was approximately US\$7.5 million, as compared to approximately US\$5.7 million in the corresponding period in 2008. The increase in revenue was due to an increase in gaming machine participation revenue and table game products revenue, partially offset by a decrease in non-gaming product sales. Revenue from gaming machine participation was positively impacted by the improving average net win per machine. Table game product sales increased as a result of a large RFID gaming chip order from Macau. Revenue from non-gaming products declined as a result of reduced orders from major customers.

Net loss for the period was approximately US\$6.4 million, a substantial improvement from a loss of approximately US\$14.9 million of the corresponding period last year.

The improvement of EGT's performance was due to higher revenues from table game products; higher gaming participation revenues driven by improving average net win per unit per day; substantially reduced operating expenses; net income from discontinued operations US\$1.8 million relating to the sale of the shuffler business; and a one-time gain of US\$0.7 million relating to the settlement of a legacy legal suit.

As of 2 August 2009, EGT's total installed units in operation were 1,216 in eight venues, comprised of seven venues in the Philippines with a total of 976 installed units (including 135 machines in one venue still in a soft opening phase) and one venue in Cambodia with a total of 240 installed units.

### **SHARE OF (LOSS) PROFIT OF A JOINTLY CONTROLLED ENTITY**

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

On 11 September 2007 and 24 September 2007, the Exchangeable Bonds with an aggregate principal amount of HK\$1,560 million (US\$200 million) and HK\$390 million (US\$50 million) respectively (together US\$250 million) were issued both of which will mature in September 2012 and have been listed on the Singapore Stock Exchange. The Exchangeable Bonds are jointly and severally guaranteed by the Group and Crown Limited.

For the six months ended 30 June 2009, the attributable loss amounting to approximately HK\$155.4 million (six months ended 30 June 2008: profit of HK\$39.9 million) was recognized mainly due to the increase in fair value of the outstanding Exchangeable Bonds (the liability component) as a result of the rise in the share price of Melco Crown Entertainment.

# MANAGEMENT DISCUSSION & ANALYSIS

## (LOSS) GAIN ON CHANGES IN INTERESTS IN ASSOCIATES

Loss on changes in interest in associates is made up of the following items:

	Six months ended 30 June	
	2009 HK\$'000 Unaudited	2008 HK\$'000 Unaudited
Loss on changes in interests in Melco Crown Entertainment (1)	(176,421)	–
Gain on changes in interests in MCR (2)	–	54,370
Loss on changes in interests in VC (3)	–	(514)
	<u>(176,421)</u>	<u>53,856</u>

### (1) Loss on changes in interests in Melco Crown Entertainment

During the period ended 30 June 2009, the Group's ownership interest in its associate, Melco Crown Entertainment, decreased from 37.8% to 34.1%, as a result of (i) a follow-on public offering of shares of Melco Crown Entertainment and (ii) the vesting of certain restricted shares issued by Melco Crown Entertainment. As a result, the Group recognized a loss of approximately HK\$176.4 million which represents the decrease in net assets attributable to the Group for the period ended 30 June 2009.

### (2) Gain on changes in interests in MCR

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

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

As a result of the above, the Group's effective ownership interest in the associate has been changed to 49.3% but the net assets of MCR attributable to the Group have increased. Therefore, a gain of approximately HK\$54.4 million was recognized for the six months ended 30 June 2008.

### (3) Loss on changes in interests in VC

During the period ended 30 June 2008, the Group's equity interest in VC decreased from 43.5% to 43.4% resulting from the exercise of certain share options of VC by the option holders. Therefore, the Group recognized a loss of approximately HK\$514,000 for the six months ended 30 June 2008, representing the decrease in net assets of VC attributable to the Group.

## LOSS ON DISPOSAL OF A SUBSIDIARY

A loss of approximately HK\$1.8 million was recognized for the six months ended 30 June 2009 as a result of the Group's disposal of 80% of the issued share capital of iAsia Online. As explained above, iAsia Online ceased to be a subsidiary of the Group as from June 2009 onwards.

## FAIR VALUE CHANGES ON DERIVATIVE FINANCIAL INSTRUMENTS

During the period ended 30 June 2009, a decrease in fair value regarding the warrants of EGT and MCR of approximately Nil (six months ended 30 June 2008: HK\$189 million) and HK\$30,000 (six months ended 30 June 2008: HK\$2.4 million) respectively was recognized.



## **FAIR VALUE CHANGE ON INVESTMENT IN CONVERTIBLE LOAN NOTE**

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

During the period ended 30 June 2009, the Group recognized an increase in fair value of convertible loan notes issued by MelcoLot amounting to approximately HK\$77.6 million (six months ended 30 June 2008: Nil).

## **LOSS ON DISPOSAL OF AVAILABLE-FOR-SALE INVESTMENT**

During the period ended 30 June 2009, the Group recognized a loss of HK\$1.2 million on disposal of a listed equity security.

## **IMPAIRMENT LOSS RECOGNIZED IN RESPECT OF INTERESTS IN ASSOCIATES**

During the period ended 30 June 2008, there was an indicator of impairment as a result of the decreases in share price of an associate, EGT. The Group then performed an impairment assessment and recognized an impairment loss of approximately HK\$313 million in relation to its interests in EGT. The recoverable amount of EGT has been determined based on a value-in-use calculation.

## **UNALLOCATED CORPORATE INCOME**

Unallocated corporate income represents amortized financial guarantee income amounting to approximately HK\$22.6 million (six months ended 30 June 2008: 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 of extension of long term payable to Crown Limited amounting to approximately HK\$4.7 million (six months ended 30 June 2008: HK\$2.5 million).

## **CENTRAL ADMINISTRATIVE COSTS AND OTHER UNALLOCATED CORPORATE EXPENSES**

Unallocated corporate expenses decreased by 41% from approximately HK\$83.3 million for the six months ended 30 June 2008 to HK\$49.1 million for the six months ended 30 June 2009. The decrease was primarily due to the cost saving exercise implemented by the Group since November 2008.

## **FINANCE COSTS**

Finance costs increased by 2.2% from approximately HK\$53.9 million for the six months ended 30 June 2008 to approximately HK\$55.1 million for the six months ended 30 June 2009.

## **INCOME TAX EXPENSE**

Income tax expense amounted to approximately HK\$602,000 for the six months ended 30 June 2009 (six months ended 30 June 2008: HK\$11,000). This was primarily due to a reduction in the value of the deferred tax assets.

# MANAGEMENT DISCUSSION & ANALYSIS

## 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 30 June 2009, total assets of the Group were HK\$9,348.2 million (31 December 2008: HK\$10,406.1 million) which were financed by shareholders' funds of HK\$7,165.8 million (31 December 2008: HK\$7,899.5 million), minority interests of HK\$26.6 million (31 December 2008: HK\$26.0 million), current liabilities of HK\$727.2 million (31 December 2008: HK\$826.2 million), and non-current liabilities of HK\$1,428.6 million (31 December 2008: HK\$1,654.4 million). The Group's current ratio, expressed as current assets over current liabilities, was maintained at a satisfactory level of 1.5 (31 December 2008: 1.1).

During the six months ended 30 June 2009, the Group recorded a net cash outflow of HK\$123.1 million (six months ended 30 June 2008: inflow of HK\$1.0 million). As of 30 June 2009, cash and cash equivalents of the Group totaled HK\$116.8 million (31 December 2008: HK\$239.9 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 0.24 time as of 30 June 2009 (31 December 2008: 0.23 time). The Group adopts a prudent treasury policy. 86% of bank balances and cash (including bank deposits with original maturity over three months) are put in short-term fixed deposits. All borrowings, and bank balances and cash are mainly denominated in Hong Kong dollars and U.S. dollars to maintain stable exposure to foreign exchange risks. Also, as at 30 June 2009, the Company placed a bank deposit of HK\$295.6 million (equivalent to US\$38 million) (31 December 2008: 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 (31 December 2008: HK\$5.8 million) were pledged to a bank for the completion of a sale agreement with a customer and bank deposits of approximately HK\$7.7 million (31 December 2008: HK\$0.9 million) were pledged for obtaining banking facilities for certain subsidiaries of the Group.

As at 30 June 2009, the Group's total convertible loan notes amounted to HK\$1,095.0 million, which was non-interest bearing and due in September 2010. The long term payable to Crown Limited by the Group amounted to HK\$170.5 million, which was unsecured, non-interest bearing and due in November 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 30 June 2009, the Group's total available bank loan facilities from various banks amounted to HK\$224.8 million (31 December 2008: HK\$313 million), of which HK\$74.8 million (31 December 2008: HK\$83 million) was secured by pledging HK\$166 million of the Group's investment properties. As at 30 June 2009, the Group utilized HK\$150 million and HK\$74.8 million of unsecured and secured bank loan facilities respectively (31 December 2008: unsecured HK\$230 million; secured HK\$83 million). Details of bank borrowings are given in Note 19 to the Condensed Consolidated Financial Statements.

## MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

During the review period, the Group entered into the following disposals:

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

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

Subsequent to the end of the review period, 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%.

Subsequent to the end of the review period, on 20 August 2009, MCR entered into a definitive agreement with China Entertainment Globe Ltd. ("CEG") in which, subject to completion, CEG will subscribe for 95,000,000 common shares in MCR at a subscription price of C\$0.15 for a total subscription price of C\$14,250,000 (the "Private Placement"). On completion of the Private Placement which is expected to occur by the end of September 2009 upon satisfaction of all closing conditions, CEG will be holding approximately 49.8% of the equity interest of MCR and the Group's shareholding in MCR will be diluted down to 27.0%.

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

## HEADCOUNT/EMPLOYEES' INFORMATION

The total number of employees (excluding the employees of Melco Crown Entertainment, MelcoLot, MCR, EGT, VC and iAsia Online) was 338 as of 30 June 2009, as compared to 388 employees as of 31 December 2008. This is primarily because the number of employees as of 30 June 2009 excludes the employees of iAsia Online which is now an associate, rather than a subsidiary, of the Group. Among the 338 employees, 268 are located in Hong Kong and the rest are based in Macau and the PRC. The related staff costs for the six months ended 30 June 2009, including directors' emoluments, share option expenses and share award expenses, amounted to HK\$68.3 million (six months ended 30 June 2008: HK\$89.2 million). The total number of the Group's employees (including the employees of Melco Crown Entertainment, MelcoLot, MCR, EGT, VC and iAsia Online) was 11,854 as of 30 June 2009.

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.

# MANAGEMENT DISCUSSION & ANALYSIS

## CONTINGENT LIABILITIES

On 5 September 2007, the Company has given an undertaking in connection with the HK\$13.65 billion (US\$1.75 billion) loan facilities obtained by Melco Crown Gaming (Macau) Limited (“Melco Crown Gaming”), a subsidiary of Melco Crown Entertainment. The undertaking given by the Company is to ensure that a contingent contribution of up to a maximum amount of HK\$972.5 million (US\$125 million) will be provided, upon request of the facility agent acting on behalf of the lenders, to pay contingencies (if any) associated with the construction of the City of Dreams project of Melco Crown Gaming in the absence of other available funding for completion of the project. In order to meet the obligations under the contingent contribution undertaking, the Company has, until recently, maintained a standby letter of credit for the amount of HK\$972.5 million (US\$125 million) until the date of final completion of the City of Dreams. The Company’s obligation to provide contingent contribution has, in May 2009, been reduced from HK\$972.5 million (US\$125 million) to HK\$295.6 million (US\$38 million) and, in September 2009, reduced from HK\$295.6 million (US\$38 million) to zero. As a result, the standby letter of credit which is required to be maintained under the contingent contribution undertaking has recently been returned to the Company’s banker and cancelled.

The Group recognized financial guarantee liabilities of approximately HK\$144.4 million as at 30 June 2009 in respect of the Exchangeable Bonds issued by Melco Crown SPV, the jointly controlled entity of the Group, which are jointly and severally guaranteed by the Company and Crown Limited.

## FOREIGN EXCHANGE EXPOSURE

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

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



## **TO THE BOARD OF DIRECTORS OF MELCO INTERNATIONAL DEVELOPMENT LIMITED**

*(incorporated in Hong Kong with limited liability)*

### **INTRODUCTION**

We have reviewed the interim financial information set out on pages 20 to 39, which comprises the condensed consolidated statement of financial position of Melco International Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **SCOPE OF REVIEW**

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

### **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

11 September 2009

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Notes	Six months ended 30 June	
		2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Revenue	3	498,527	325,357
Other income		33,079	28,273
Investment income (loss)		2,643	(103)
Purchase and changes in inventories of finished goods		(406,023)	(210,284)
Employee benefits expense		(68,294)	(89,191)
Depreciation of property, plant and equipment		(8,459)	(10,850)
Loss on disposal of a subsidiary	23	(1,804)	–
(Loss) gain on changes in interests in associates	4	(176,421)	53,856
Fair value changes on derivative financial instruments	5	(30)	(191,420)
Fair value change on investment in convertible loan note	15	77,629	–
Loss on disposal of available-for-sale investment		(1,172)	–
Share of (loss) profit of a jointly controlled entity		(155,351)	39,895
Share of losses of associates	13	(511,713)	(122,395)
Impairment loss recognised in respect of interests in associates	6	–	(313,000)
Other expenses		(38,269)	(70,083)
Finance costs		(55,103)	(53,907)
Loss before tax	7	(810,761)	(613,852)
Income tax expense	8	(602)	(11)
Loss for the period		(811,363)	(613,863)
<b>Other comprehensive income</b>			
Exchange differences arising on translation of foreign operations		88	72
Share of other comprehensive income of associates		14,941	6,250
Share of other comprehensive income of a jointly controlled entity		43,763	–
Loss on fair value change of available-for-sale investments		–	(68,900)
Total comprehensive income for the period		(752,571)	(676,441)
Loss for the period attributable to:			
Owners of the Company		(811,890)	(614,400)
Minority interests		527	537
		(811,363)	(613,863)
Total comprehensive income for the period attributable to:			
Owners of the Company		(753,098)	(676,978)
Minority interests		527	537
		(752,571)	(676,441)
Loss per share	10		
Basic		(HK66.14 cents)	(HK50.08 cents)
Diluted		(HK66.14 cents)	(HK50.10 cents)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2009

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

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2009

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



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Convertible loan notes			Property revaluation			Other revaluation			Other reserve			Exchange reserve			Legal reserve			Share options reserve			Shares held under share purchase scheme			Share award reserve			Accumulated profits			Attributable to owners of the Company			Minority interests			Total		
	Share capital	Share premium	Capital reserve	Special reserve	equity reserve	Property revaluation reserve	Other revaluation reserve	Other reserve	Exchange reserve	Legal reserve	Share options reserve	Shares held under share purchase scheme	Share award reserve	Accumulated profits	Attributable to owners of the Company	Minority interests	Total	Share capital	Share premium	Capital reserve	Special reserve	equity reserve	Property revaluation reserve	Other revaluation reserve	Other reserve	Exchange reserve	Legal reserve	Share options reserve	Shares held under share purchase scheme	Share award reserve	Accumulated profits	Attributable to owners of the Company	Minority interests	Total					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000				
At 1 January 2008 (audited)	614,238	3,125,485	283,734	(69,950)	307,253	5,796	(1,669)	(31,574)	2,599	254	21,958	-	-	6,061,089	10,319,113	22,430	10,341,543	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
(Loss) profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Share of other comprehensive income of associates	-	-	-	-	-	-	-	-	72	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Loss on fair value change of available-for-sale investments	-	-	-	-	-	-	(68,900)	1,372	4,878	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Total comprehensive income for the period	-	-	-	-	-	-	(68,900)	1,372	4,950	-	-	-	-	(614,400)	(676,978)	537	(676,441)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Share capital	Share premium	Capital reserve	Special reserve	Convertible loan notes equity reserve	Property revaluation reserve	Other revaluation reserve	Other reserve	Exchange reserve	Legal reserve	Share options reserve	Shares held under share subscription scheme	Shares held under share purchase scheme	Share award reserve	Accumulated profits	Attributable to owners of the Company	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Exercise of share options	428	4,702	-	-	-	-	-	-	-	-	-	-	-	-	-	5,130	-	5,130
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	-	-	-	5,692	-	-	4,597	-	10,289	-	10,289
Transfer to share premium upon exercise of share option	-	1,227	-	-	-	-	-	-	-	-	(1,227)	-	-	-	-	-	-	-
Transfer of share option reserve upon expiry of share options	-	-	-	-	-	-	-	-	-	-	(158)	-	-	-	158	-	-	-
Shares vested under the share award scheme	-	-	-	-	-	-	-	-	-	-	-	-	2,882	(3,195)	313	-	-	-
Purchase of shares for invested shares under the share award scheme	-	-	-	-	-	-	-	-	-	-	-	-	(24,000)	-	-	(24,000)	-	(24,000)
Dividend paid (Note 9)	-	-	(12,271)	-	-	-	-	-	-	-	-	-	-	-	-	(12,271)	-	(12,271)
At 30 June 2008 (unaudited)	614,666	3,131,414	271,463	(69,950)	307,253	5,796	(70,569)	(30,302)	7,549	254	26,265	-	(2,118)	1,402	5,447,160	9,621,263	22,967	9,644,250

	Convertible				Shares held				Attributable								
	Share capital	Share premium	Capital reserve	Special reserve	loan notes	Property revaluation reserve	Other revaluation reserve	Other reserve	Exchange reserve	Legal reserve	Share options reserve	Shares held under share purchase scheme	Share award reserve	Accumulated profits	to owners of the Company	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009 (audited)	614,666	3,131,442	271,463	(69,950)	307,253	5,796	29,948	(103,794)	(8,182)	254	32,638	(21,088)	4,138	3,705,922	7,899,505	26,035	7,925,540
(Loss) profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	(811,890)	(811,890)	527	(811,363)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	88	-	-	-	-	-	88	-	88
Share of other comprehensive income of associates	-	-	-	-	-	-	-	7,394	7,394	-	-	-	-	-	14,941	-	14,941
Share of other comprehensive income of a jointly controlled entity	-	-	-	-	-	-	43,763	-	-	-	-	-	-	-	43,763	-	43,763
Total comprehensive income for the period	-	-	-	-	-	-	43,763	7,547	7,482	-	-	-	-	(811,890)	(763,098)	527	(752,571)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Share capital	Share premium	Capital reserve	Special reserve	Convertible loan notes equity reserve	Property revaluation reserve	Other revaluation reserve	Other reserve	Exchange reserve	Legal reserve	Share options reserve	Shares held under share subscription scheme	Shares held under share purchase scheme	Share award reserve	Accumulated profits	Attributable to owners of the Company	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Exercise of share options	166	507	-	-	-	-	-	-	-	-	-	-	-	-	-	673	-	673
Realisation of special reserve and other revaluation reserve upon deemed disposal of partial interest in an associate	-	-	-	6,933	-	-	(2,899)	-	-	-	-	-	-	-	2,899	6,933	-	6,933
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	-	-	-	8,614	-	-	3,226	-	11,840	-	11,840
Transfer to share premium upon exercise of share option	-	383	-	-	-	-	-	-	-	(383)	-	-	-	-	-	-	-	-
Transfer of share option reserve upon expiry of share options	-	-	-	-	-	-	-	-	-	-	(56)	-	-	-	56	-	-	-
Issue of shares for unvested shares under the share subscription scheme	220	-	-	-	-	-	-	-	-	-	-	(220)	-	-	-	-	-	-
Shares vested under the share award scheme	-	-	-	-	-	-	-	-	-	-	-	50	5,488	(4,174)	(1,374)	-	-	-
At 30 June 2009 (unaudited)	615,052	3,132,332	271,463	(63,017)	307,253	5,796	69,842	(96,247)	(701)	254	40,813	(170)	(15,590)	3,190	2,895,583	7,165,853	26,562	7,192,415

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

## 1. BASIS OF PREPARATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

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

## 3. REVENUE AND SEGMENT INFORMATION

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

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

- (1) Leisure, Gaming and Entertainment Segment: It mainly comprises provision of catering, entertainment, gaming and related services.
- (2) Technology Segment – Elixir: It mainly comprises design, development and supply of gaming technology, including surveillance equipment and other gaming products used in casino.
- (3) Technology Segment – iAsia: It mainly comprises development and sale of financial trading and settlement systems in other Asian regions.
- (4) Property and Other Investments Segment: It mainly comprises property investments and other investments.

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

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

Six months ended 30 June 2009 (unaudited):

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

Six months ended 30 June 2008 (unaudited):

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

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

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

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

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



- (ii) During the period ended 30 June 2008, the Group and its associate, Melco China Resort Investment Limited ("MCR"), entered into a series of transactions for the purpose of the amalgamation of MCR with Virtual China Travel Services, Co., Ltd. ("VCTS"), a company listed on the Toronto Stock Exchange ("TSX") Venture Exchange, including:
- a) In March 2008, the Group and the other two shareholders of MCR agreed to amend the Memorandum and Articles of Association of MCR such that it has three classes of shares with different economic interest. The original MCR shares held by the Group and the amount of HK\$291 million which have been advanced by the Group to MCR, were exchanged for new shares so that the Group's economic interest in MCR increased from 45% to 70.1% while the voting power remained at 45%;
  - b) Melco China Resorts (Holding) Limited ("MCR BC") issued shares in May 2008 in exchange for the shares of MCR held by all MCR shareholders, including the Group ("Share Swap"). Under the terms of the Share Swap, MCR BC issued 411,091,347 common shares and 84,375,653 convertible preference shares in exchange for the Group's interest in MCR. MCR became the wholly-owned subsidiary of MCR BC, which then became an associate of the Group. Each of the convertible preference share can be converted into one common share of MCR BC at any time after six months from date of issuance of 27 May 2008 without expiry date and entitle the holder a cumulative dividend of CAD0.001 per share;
  - c) The Group and certain independent investors subscribed for common shares and warrants in MCR BC ("Subscription"). Under the subscription agreement entered into by the Group, the Group subscribed for 20,000,000 common shares and 10,000,000 warrants issued by MCR BC at a consideration of approximately HK\$46,834,000 (CAD6,000,000). The cost of common shares of approximately HK\$42,307,000 forms part of the Group's initial cost of investment in MCR BC while the remaining HK\$4,527,000 represents the initial carrying amount of the warrants held by the Group, which are accounted for as derivative financial instruments. In addition, the independent investors subscribed for 220,436,358 common shares and 110,218,179 warrants issued by MCR BC at a consideration of approximately HK\$516,196,000 (CAD66,131,000); and
  - d) MCR BC then completed the reverse take-over of VCTS by way of an amalgamation ("Amalgamation") and its common shares and warrants then commenced trading on the TSX Venture Exchange. Upon the completion of the Amalgamation, the common shares, convertible preference shares and warrants issued by MCR BC were also consolidated on a 10 to 1 basis.

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

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

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

## 5. FAIR VALUE CHANGES ON DERIVATIVE FINANCIAL INSTRUMENTS

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

## 6. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF INTERESTS IN ASSOCIATES

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

## 7. LOSS BEFORE TAX

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

## 8. INCOME TAX EXPENSE

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

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

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

## 9. DIVIDEND

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

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

## 10. LOSS PER SHARE

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

	Six months ended 30 June	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
<b>Loss</b>		
Loss for the purpose of basic loss per share (loss for the period attributable to owners of the Company)	(811,890)	(614,400)
Effect of dilutive potential ordinary shares:		
Adjustments to the share of results of associates based on potential dilution of their earnings per share	—	(262)
Loss for the purpose of diluted loss per share	<u>(811,890)</u>	<u>(614,662)</u>
	Six months ended 30 June	
	2009 (unaudited)	2008 (unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>1,227,556,496</u>	<u>1,226,807,669</u>

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

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

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

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

## 12. PLEDGE OF ASSETS

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

- (a) The Group's bank deposit and investment properties which amounted to approximately HK\$947,000 and HK\$166,000,000, respectively, were pledged for obtaining the banking facilities for certain subsidiaries of the Group (31 December 2008: bank deposit of approximately HK\$947,000 and investment properties of approximately HK\$166,000,000).
- (b) The Group's bank deposit of approximately HK\$5,791,000 (31 December 2008: HK\$5,791,000) were pledged to a bank for the completion of a sale agreement with a customer.
- (c) The Group's bank deposit of approximately HK\$6,732,000 (31 December 2008: Nil) were pledged to a bank for obtaining the banking facilities for a subsidiary of the Group in respect of goods purchased from a supplier.
- (d) The Company placed a bank deposit of HK\$295,640,000 (equivalent to US\$38,000,000) (31 December 2008: HK\$972,500,000 (equivalent to US\$125,000,000)) for an undertaking in connection with a long term loan facilities obtained by Melco Crown Entertainment, and was therefore classified as non-current asset.

## 13. INTERESTS IN ASSOCIATES

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

## 14. AMOUNTS DUE FROM ASSOCIATES

Included in amounts due from associates are:

- (i) amount due from an associate of approximately HK\$578,578,000 (31 December 2008: HK\$578,578,000) which is unsecured, interest bearing at Hong Kong Interbank Offered Rates ("HIBOR") per annum (31 December 2008: HIBOR plus 1.5% per annum) and not repayable within twelve months from the end of the reporting period. This associate continues to expand its gaming business in Macau and the Group considers no impairment on the amount due from this associate;
- (ii) amount due from an associate of approximately HK\$200,693,000 (31 December 2008: HK\$173,976,000) which is unsecured and approximately HK\$12,968,000 is repayable on demand, HK\$11,750,000 is repayable on 28 January 2010 and HK\$175,975,000 is repayable on 31 March 2010. Approximately HK\$105,413,000 out of the HK\$200,693,000 (31 December 2008: HK\$93,773,000 out of the HK\$173,976,000) is interest bearing at 3-month London Interbank Offered Rate ("LIBOR") plus 3% per annum and the remaining HK\$95,280,000 (31 December 2008: HK\$80,203,000) is non-interest bearing such that a deemed capital contribution of approximately HK\$5,770,000 has been recognised as at 31 December 2008 using interest rate at LIBOR plus 3% per annum. The Group has reviewed the financial position and the bank facilities available to this associate and considers no impairment on the amount due from this associate;
- (iii) amount due from an associate of approximately HK\$71,294,000 which is unsecured and interest bearing at 5% per annum. Approximately HK\$46,934,000 out of the HK\$71,294,000 (31 December 2008: HK\$45,779,000 out of the HK\$93,898,000) was repayable within twelve months from the end of the reporting period and the remaining HK\$24,360,000 (31 December 2008: HK\$48,119,000) was repayable after twelve months from the end of the reporting period ended 30 June 2009. This associate has continued to settle the balance by installments and the Group considers no impairment on the amounts due from this associate; and
- (iv) amount due from an associate of approximately HK\$41,900,000 which was unsecured, interest bearing at HIBOR plus 1.25% to 2% per annum and repayable upon written notice given from the Company at 31 December 2008. Full settlement has been received from this associate during the period ended 30 June 2009.

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

## 15. INVESTMENT IN CONVERTIBLE LOAN NOTE

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

## 16. TRADE RECEIVABLES

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

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

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

*Notes:*

- (a) The Group's Leisure, Gaming and Entertainment and Property and Other Investments Segments are largely operated on cash on delivery or payment in advance terms, except for those well-established customers to whom credit terms of 30 to 120 days would be granted.
- (b) Trade receivables on the Group's Technology Segment are due immediately from date of billing but the Group will generally grant a normal credit period of 30 days to 90 days on average to its customers.

## 17. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

## 18. TRADE PAYABLES

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

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

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

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

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

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

## 20. LONG TERM PAYABLE

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

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

## 21. CONVERTIBLE LOAN NOTES

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

## 22. SHARE CAPITAL

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

## 23. DISPOSAL OF A SUBSIDIARY

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

	HK\$'000
<b>NET ASSETS DISPOSED OF:</b>	
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)
	<hr/>
Net assets attributable to interests disposed of	11,984
Attributable goodwill	4,442
	<hr/>
	16,426
Loss on disposal	(1,804)
	<hr/>
Total consideration	<u>14,622</u>
Satisfied by:	
Interests in associates	2,622
Consideration receivables	12,000
	<hr/>
	<u>14,622</u>
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	<u>(12,819)</u>

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

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

## 24. RELATED PARTY TRANSACTIONS

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

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

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

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



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

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

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

## 25. CONTINGENT LIABILITIES

- (i) On 5 September 2007, the Company has given an undertaking in connection with the HK\$13.65 billion (US\$1.75 billion) loan facilities obtained by Melco Crown Gaming (Macau) Limited ("Melco Crown Gaming" formerly known as Melco PBL Gaming (Macau) Limited), a subsidiary of Melco Crown Entertainment. The undertaking given by the Company is to ensure that a contingent contribution of up to a maximum amount of HK\$972,500,000 (US\$125,000,000) 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's obligation to provide contingent contribution has, with effect from 4 May 2009, been reduced from HK\$972,500,000 (US\$125,000,000) to HK\$295,640,000 (US\$38,000,000). The Company maintain a standby letter of credit for the said reduced amount to support its contingent obligation. Crown Limited, a major shareholder of Melco Crown Entertainment, has given a similar undertaking and entered into a similar arrangement in connection with the said loan facilities.
- (ii) The Group recognised financial guarantee liabilities of HK\$144,417,000 in respect of the Exchangeable Bonds issued by Melco Crown SPV Limited, the jointly controlled entity of the Group, which are jointly and severally guaranteed by the Company and Crown Limited.

## 26. EVENTS AFTER THE END OF THE INTERIM PERIOD

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

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

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

# OTHER INFORMATION

## INTERIM DIVIDEND

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

## DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the six months ended 30 June 2009 or at any time during such period.

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2009, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares, debentures and convertible loan notes of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("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 the director is 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 maintained by the Company referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

### (i) Long positions in the shares and underlying shares of the Company

(a) Ordinary shares of HK\$0.50 each of the Company

Name of Director	Capacity	Nature of interest	Number of ordinary shares held	Approximate % of issued share capital	Note
Mr. Ho, Lawrence Yau Lung	Held by controlled corporations	Corporate	411,335,630	33.44%	2
	Beneficial owner	Personal	7,600,619	0.62%	–
Mr. Tsui Che Yin, Frank	Beneficial owner	Personal	73,772	0.01%	–
Mr. Chung Yuk Man, Clarence	Beneficial owner	Personal	51,552	0.00%	–
Dr. Lo Ka Shui	Beneficial owner	Personal	2,034,000	0.17%	–
Sir Roger Lobo	Beneficial owner	Personal	34,000	0.00%	–
Mr. Sham Sui Leung, Daniel	Beneficial owner	Personal	34,000	0.00%	–
Mr. Ng Ching Wo	Beneficial owner	Personal	34,000	0.00%	–

(b) 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 at 30 June 2009	Approximate % of issued share capital	Date of grant	Exercisable period	Exercise price HK\$	
	Outstanding at 1 January 2009	Granted during the period	Exercised during the period						
Mr. Ho, Lawrence Yau Lung	230,840	–	–	230,840	0.02%	01.04.2008	01.04.2009 – 31.03.2018	10.804	
	230,840	–	–	230,840	0.02%	01.04.2008	01.04.2010 – 31.03.2018	10.804	
	230,840	–	–	230,840	0.02%	01.04.2008	01.04.2011 – 31.03.2018	10.804	
	89,333	–	–	89,333	0.01%	17.12.2008	01.02.2009 – 16.12.2018	2.02	
	89,333	–	–	89,333	0.01%	17.12.2008	01.05.2009 – 16.12.2018	2.02	
	89,333	–	–	89,333	0.01%	17.12.2008	01.08.2009 – 16.12.2018	2.02	
	89,333	–	–	89,333	0.01%	17.12.2008	01.11.2009 – 16.12.2018	2.02	
	89,333	–	–	89,333	0.01%	17.12.2008	01.02.2010 – 16.12.2018	2.02	
	89,335	–	–	89,335	0.01%	17.12.2008	01.05.2010 – 16.12.2018	2.02	
	–	76,500	–	76,500	0.01%	03.04.2009	03.04.2010 – 02.04.2019	2.99	
	–	76,500	–	76,500	0.01%	03.04.2009	03.04.2011 – 02.04.2019	2.99	
	–	77,000	–	77,000	0.01%	03.04.2009	03.04.2012 – 02.04.2019	2.99	
		1,228,520	230,000	–	1,458,520	0.15%			
	Mr. Tsui Che Yin, Frank	104,000	–	–	104,000	0.01%	01.04.2008	01.04.2009 – 31.03.2018	10.804
104,000		–	–	104,000	0.01%	01.04.2008	01.04.2010 – 31.03.2018	10.804	
104,000		–	–	104,000	0.01%	01.04.2008	01.04.2011 – 31.03.2018	10.804	
91,000		–	–	91,000	0.01%	17.12.2008	01.02.2009 – 16.12.2018	2.02	
91,000		–	–	91,000	0.01%	17.12.2008	01.05.2009 – 16.12.2018	2.02	
91,000		–	–	91,000	0.01%	17.12.2008	01.08.2009 – 16.12.2018	2.02	
91,000		–	–	91,000	0.01%	17.12.2008	01.11.2009 – 16.12.2018	2.02	
91,000		–	–	91,000	0.01%	17.12.2008	01.02.2010 – 16.12.2018	2.02	
91,000		–	–	91,000	0.01%	17.12.2008	01.05.2010 – 16.12.2018	2.02	
–		50,000	–	50,000	0.00%	03.04.2009	03.04.2010 – 02.04.2019	2.99	
–		50,000	–	50,000	0.00%	03.04.2009	03.04.2011 – 02.04.2019	2.99	
–		60,000	–	60,000	0.00%	03.04.2009	03.04.2012 – 02.04.2019	2.99	
		858,000	160,000	–	1,018,000	0.09%			

## OTHER INFORMATION

(b) *Share options granted to the Directors pursuant to the Share Option Scheme adopted by the Company on 8 March 2002 – continued*

Name of Director	Number of share options			Outstanding at 30 June 2009	Approximate % of issued share capital	Date of grant	Exercisable period	Exercise price HK\$
	Outstanding at 1 January 2009	Granted during the period	Exercised during the period					
Mr. Chung Yuk Man, Clarence	200,000	–	–	200,000	0.02%	01.02.2005	17.09.2009 – 07.03.2012	7.4
	130,000	–	–	130,000	0.01%	13.02.2006	01.04.2008 – 31.01.2016	11.8
	130,000	–	–	130,000	0.01%	13.02.2006	01.04.2010 – 31.01.2016	11.8
	140,000	–	–	140,000	0.01%	13.02.2006	01.04.2012 – 31.01.2016	11.8
	104,000	–	–	104,000	0.01%	01.04.2008	01.04.2009 – 31.03.2018	10.804
	104,000	–	–	104,000	0.01%	01.04.2008	01.04.2010 – 31.03.2018	10.804
	104,000	–	–	104,000	0.01%	01.04.2008	01.04.2011 – 31.03.2018	10.804
	91,000	–	–	91,000	0.01%	17.12.2008	01.02.2009 – 16.12.2018	2.02
	91,000	–	–	91,000	0.01%	17.12.2008	01.05.2009 – 16.12.2018	2.02
	91,000	–	–	91,000	0.01%	17.12.2008	01.08.2009 – 16.12.2018	2.02
	91,000	–	–	91,000	0.01%	17.12.2008	01.11.2009 – 16.12.2018	2.02
	91,000	–	–	91,000	0.01%	17.12.2008	01.02.2010 – 16.12.2018	2.02
	91,000	–	–	91,000	0.01%	17.12.2008	01.05.2010 – 16.12.2018	2.02
	–	50,000	–	50,000	0.00%	03.04.2009	03.04.2010 – 02.04.2019	2.99
	–	50,000	–	50,000	0.00%	03.04.2009	03.04.2011 – 02.04.2019	2.99
	–	60,000	–	60,000	0.00%	03.04.2009	03.04.2012 – 02.04.2019	2.99
	1,458,000	160,000	–	1,618,000	0.14%			
Dr. Lo Ka Shui	100,000	–	–	100,000	0.01%	03.04.2006	03.04.2008 – 02.04.2016	15.87
	100,000	–	–	100,000	0.01%	03.04.2006	03.04.2010 – 02.04.2016	15.87
	100,000	–	–	100,000	0.01%	03.04.2006	03.04.2012 – 02.04.2016	15.87
	17,000	–	–	17,000	0.00%	28.02.2008	01.04.2009 – 27.02.2018	11.5
	17,000	–	–	17,000	0.00%	28.02.2008	01.04.2010 – 27.02.2018	11.5
	17,000	–	–	17,000	0.00%	28.02.2008	01.04.2011 – 27.02.2018	11.5
	–	30,000	–	30,000	0.00%	03.04.2009	03.04.2010 – 02.04.2019	2.99
	–	30,000	–	30,000	0.00%	03.04.2009	03.04.2011 – 02.04.2019	2.99
	–	31,000	–	31,000	0.00%	03.04.2009	03.04.2012 – 02.04.2019	2.99
		351,000	91,000	–	442,000	0.03%		

(b) *Share options granted to the Directors pursuant to the Share Option Scheme adopted by the Company on 8 March 2002 – continued*

Name of Director	Number of share options				Approximate % of issued share capital	Date of grant	Exercisable period	Exercise price HK\$
	Outstanding at 1 January 2009	Granted during the period	Exercised during the period	Outstanding at 30 June 2009				
Sir Roger Lobo	100,000	–	–	100,000	0.01%	03.04.2006	03.04.2008 – 02.04.2016	15.87
	100,000	–	–	100,000	0.01%	03.04.2006	03.04.2010 – 02.04.2016	15.87
	100,000	–	–	100,000	0.01%	03.04.2006	03.04.2012 – 02.04.2016	15.87
	17,000	–	–	17,000	0.00%	28.02.2008	01.04.2009 – 27.02.2018	11.5
	17,000	–	–	17,000	0.00%	28.02.2008	01.04.2010 – 27.02.2018	11.5
	17,000	–	–	17,000	0.00%	28.02.2008	01.04.2011 – 27.02.2018	11.5
	–	30,000	–	30,000	0.00%	03.04.2009	03.04.2010 – 02.04.2019	2.99
	–	30,000	–	30,000	0.00%	03.04.2009	03.04.2011 – 02.04.2019	2.99
	–	31,000	–	31,000	0.00%	03.04.2009	03.04.2012 – 02.04.2019	2.99
		<u>351,000</u>	<u>91,000</u>	<u>–</u>	<u>442,000</u>	<u>0.03%</u>		
Mr. Sham Sui Leung, Daniel	17,000	–	–	17,000	0.00%	28.02.2008	01.04.2009 – 27.02.2018	11.5
	17,000	–	–	17,000	0.00%	28.02.2008	01.04.2010 – 27.02.2018	11.5
	17,000	–	–	17,000	0.00%	28.02.2008	01.04.2011 – 27.02.2018	11.5
	–	30,000	–	30,000	0.00%	03.04.2009	03.04.2010 – 02.04.2019	2.99
	–	30,000	–	30,000	0.00%	03.04.2009	03.04.2011 – 02.04.2019	2.99
	–	31,000	–	31,000	0.00%	03.04.2009	03.04.2012 – 02.04.2019	2.99
		<u>51,000</u>	<u>91,000</u>	<u>–</u>	<u>142,000</u>	<u>0.00%</u>		

## OTHER INFORMATION

(b) *Share options granted to the Directors pursuant to the Share Option Scheme adopted by the Company on 8 March 2002 – continued*

Name of Director	Number of share options			Outstanding at 30 June 2009	Approximate % of issued share capital	Date of grant	Exercisable period	Exercise price HK\$
	Outstanding at 1 January 2009	Granted during the period	Exercised during the period					
Mr. Ng Ching Wo	100,000	–	–	100,000	0.01%	03.04.2006	03.04.2008 – 02.04.2016	15.87
	100,000	–	–	100,000	0.01%	03.04.2006	03.04.2010 – 02.04.2016	15.87
	100,000	–	–	100,000	0.01%	03.04.2006	03.04.2012 – 02.04.2016	15.87
	17,000	–	–	17,000	0.00%	28.02.2008	01.04.2009 – 27.02.2018	11.5
	17,000	–	–	17,000	0.00%	28.02.2008	01.04.2010 – 27.02.2018	11.5
	17,000	–	–	17,000	0.00%	28.02.2008	01.04.2011 – 27.02.2018	11.5
	–	30,000	–	30,000	0.00%	03.04.2009	03.04.2010 – 02.04.2019	2.99
	–	30,000	–	30,000	0.00%	03.04.2009	03.04.2011 – 02.04.2019	2.99
	–	31,000	–	31,000	0.00%	03.04.2009	03.04.2012 – 02.04.2019	2.99
		351,000	91,000	–	442,000	0.03%		
<b>Total</b>	<b>4,648,520</b>	<b>914,000</b>	<b>–</b>	<b>5,562,520</b>	<b>0.47%</b>			

(c) *Shares awarded to the Directors pursuant to The Melco Share Purchase Scheme Trust adopted by the Company on 18 October 2007*

Name of Director	Number of awarded shares			Outstanding at 30 June 2009	Approximate % of issued share capital	Date of award	Vesting date
	Outstanding at 1 January 2009	Awarded during the period	Vested during the period				
Mr. Ho, Lawrence	87,325	–	(87,325)	–	–	01.04.2008	01.04.2009
Yau Lung	87,325	–	–	87,325	0.007%	01.04.2008	01.04.2010
	96,666	–	(96,666)	–	–	17.12.2008	01.02.2009
	96,666	–	(96,666)	–	–	17.12.2008	01.05.2009
	96,666	–	–	96,666	0.008%	17.12.2008	01.08.2009
	96,666	–	–	96,666	0.008%	17.12.2008	01.11.2009
	96,666	–	–	96,666	0.008%	17.12.2008	01.02.2010
	96,670	–	–	96,670	0.008%	17.12.2008	01.05.2010
	–	12,500	–	12,500	0.001%	03.04.2009	03.04.2010
	–	12,500	–	12,500	0.001%	03.04.2009	03.04.2011
	–	13,000	–	13,000	0.001%	03.04.2009	03.04.2012
	754,650	38,000	(280,657)	511,993	0.042%		

(c) Shares awarded to the Directors pursuant to The Melco Share Purchase Scheme Trust adopted by the Company on 18 October 2007 – continued

Name of Director	Number of awarded shares			Outstanding at 30 June 2009	Approximate % of issued share capital	Date of award	Vesting date
	Outstanding at 1 January 2009	Awarded during the period	Vested during the period				
Mr. Tsui Che Yin, Frank	22,220	–	(22,220)	–	–	01.04.2008	01.04.2009
	22,220	–	–	22,220	0.002%	01.04.2008	01.04.2010
	14,666	–	(14,666)	–	–	17.12.2008	01.02.2009
	14,666	–	(14,666)	–	–	17.12.2008	01.05.2009
	14,666	–	–	14,666	0.001%	17.12.2008	01.08.2009
	14,666	–	–	14,666	0.001%	17.12.2008	01.11.2009
	14,666	–	–	14,666	0.001%	17.12.2008	01.02.2010
	14,670	–	–	14,670	0.001%	17.12.2008	01.05.2010
	–	9,000	–	9,000	0.001%	03.04.2009	03.04.2010
	–	9,000	–	9,000	0.001%	03.04.2009	03.04.2011
	–	9,000	–	9,000	0.001%	03.04.2009	03.04.2012
	132,440	27,000	(51,552)	107,888	0.009%		
Mr. Chung Yuk Man, Clarence	22,220	–	(22,220)	–	–	01.04.2008	01.04.2009
	22,220	–	–	22,220	0.002%	01.04.2008	01.04.2010
	14,666	–	(14,666)	–	–	17.12.2008	01.02.2009
	14,666	–	(14,666)	–	–	17.12.2008	01.05.2009
	14,666	–	–	14,666	0.001%	17.12.2008	01.08.2009
	14,666	–	–	14,666	0.001%	17.12.2008	01.11.2009
	14,666	–	–	14,666	0.001%	17.12.2008	01.02.2010
	14,670	–	–	14,670	0.001%	17.12.2008	01.05.2010
	–	9,000	–	9,000	0.001%	03.04.2009	03.04.2010
	–	9,000	–	9,000	0.001%	03.04.2009	03.04.2011
	–	9,000	–	9,000	0.001%	03.04.2009	03.04.2012
	132,440	27,000	(51,552)	107,888	0.009%		
Dr. Lo Ka Shui	15,000	–	(15,000)	–	–	28.02.2008	31.03.2009
	15,000	–	–	15,000	0.001%	28.02.2008	31.03.2010
	4,000	–	(4,000)	–	–	28.02.2008	01.04.2009
	4,000	–	–	4,000	0.000%	28.02.2008	01.04.2010
	4,000	–	–	4,000	0.000%	28.02.2008	01.04.2011
	–	5,000	–	5,000	0.000%	03.04.2009	03.04.2010
	–	5,000	–	5,000	0.000%	03.04.2009	03.04.2011
	–	5,000	–	5,000	0.000%	03.04.2009	03.04.2012
		42,000	15,000	(19,000)	38,000	0.001%	
Sir Roger Lobo	15,000	–	(15,000)	–	–	28.02.2008	31.03.2009
	15,000	–	–	15,000	0.001%	28.02.2008	31.03.2010
	4,000	–	(4,000)	–	–	28.02.2008	01.04.2009
	4,000	–	–	4,000	0.000%	28.02.2008	01.04.2010
	4,000	–	–	4,000	0.000%	28.02.2008	01.04.2011
	–	5,000	–	5,000	0.000%	03.04.2009	03.04.2010
	–	5,000	–	5,000	0.000%	03.04.2009	03.04.2011
	–	5,000	–	5,000	0.000%	03.04.2009	03.04.2012
	42,000	15,000	(19,000)	38,000	0.001%		

## OTHER INFORMATION

(c) *Shares awarded to the Directors pursuant to The Melco Share Purchase Scheme Trust adopted by the Company on 18 October 2007 – continued*

Name of Director	Number of awarded shares			Outstanding at 30 June 2009	Approximate % of issued share capital	Date of award	Vesting date
	Outstanding at 1 January 2009	Awarded during the period	Vested during the period				
Mr. Sham Sui Leung,	15,000	–	(15,000)	–	–	28.02.2008	31.03.2009
Daniel	15,000	–	–	15,000	0.001%	28.02.2008	31.03.2010
	4,000	–	(4,000)	–	–	28.02.2008	01.04.2009
	4,000	–	–	4,000	0.000%	28.02.2008	01.04.2010
	4,000	–	–	4,000	0.000%	28.02.2008	01.04.2011
	–	5,000	–	5,000	0.000%	03.04.2009	03.04.2010
	–	5,000	–	5,000	0.000%	03.04.2009	03.04.2011
	–	5,000	–	5,000	0.000%	03.04.2009	03.04.2012
	<u>42,000</u>	<u>15,000</u>	<u>(19,000)</u>	<u>38,000</u>	<u>0.001%</u>		
Mr. Ng Ching Wo	15,000	–	(15,000)	–	–	28.02.2008	31.03.2009
	15,000	–	–	15,000	0.001%	28.02.2008	31.03.2010
	4,000	–	(4,000)	–	–	28.02.2008	01.04.2009
	4,000	–	–	4,000	0.000%	28.02.2008	01.04.2010
	4,000	–	–	4,000	0.000%	28.02.2008	01.04.2011
	–	5,000	–	5,000	0.000%	03.04.2009	03.04.2010
	–	5,000	–	5,000	0.000%	03.04.2009	03.04.2011
	–	5,000	–	5,000	0.000%	03.04.2009	03.04.2012
	<u>42,000</u>	<u>15,000</u>	<u>(19,000)</u>	<u>38,000</u>	<u>0.001%</u>		
<b>Total</b>	<b><u>1,187,530</u></b>	<b><u>152,000</u></b>	<b><u>(459,761)</u></b>	<b><u>879,769</u></b>	<b><u>0.064%</u></b>		

(d) *Convertible loan notes issued by the Company*

Name of Director	Capacity	Number of underlying shares held	Approximate % of issued share capital	Note
Mr. Ho, Lawrence Yau Lung	Held by trust	117,912,694	9.59%	3

Notes:

- As at 30 June 2009, the total number of issued shares of the Company was 1,230,104,776.
- 115,509,024 shares of the Company are held by Lasting Legend Ltd., representing approximately 9.39% of the issued share capital of the Company, 288,532,606 shares of the Company are held by Better Joy Overseas Ltd., representing approximately 23.46% of the issued share capital of the Company and 7,294,000 shares of the Company are held by The L3G Capital Trust, representing approximately 0.59% of the issued share capital of the Company. Lasting Legend Ltd., Better Joy Overseas Ltd. and The L3G Capital Trust are owned by persons, companies and/or trusts associated with Mr. Ho, Lawrence Yau Lung.
- Pursuant to an agreement dated 11 May 2005 entered into between Great Respect Limited, MPCL (Greater China) Limited (formerly known as Melco PBL Entertainment (Greater China) Limited) and the Company, convertible loan notes of the Company in the total principal amount of HK\$1,175,000,000 were issued to Great Respect Limited on 5 September 2005 on the terms set out in the agreement. Upon exercise in full of such convertible loan notes, a total of 117,912,694 shares, representing 8.75% of the enlarged issued share capital of the Company, will be issued by 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. The shareholders of the Company have approved the issue of the convertible loan notes without the necessity to make an offer under Rule 26 of The Hong Kong Code on Takeovers and Mergers (the "Takeovers Code") on conversion of the convertible loan notes. Hence, no offer under Rule 26 of the Takeovers Code will be made on full conversion.



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

**(A) Value Convergence Holdings Limited (“Value Convergence”)**

(a) Ordinary shares of HK\$0.10 each of Value Convergence

Name of Director	Capacity	Number of ordinary shares of Value Convergence held	Approximate % of issued share capital of Value Convergence	Note
Mr. Ho, Lawrence Yau Lung	Held by controlled corporations	165,163,008	44.50%	2

(b) Share options granted by Value Convergence

Name of Director	Capacity	Number of underlying shares of Value Convergence held	Approximate % of issued share capital of Value Convergence	Note
Mr. Ho, Lawrence Yau Lung	Beneficial owner	491,057	0.13%	3

Notes:

- As at 30 June 2009, the total number of issued shares of Value Convergence was 371,169,772.
- Mr. Ho, Lawrence Yau Lung is taken to be interested in (i) 160,930,381 shares of Value Convergence as a result of him being beneficially interested in approximately 34.06% of the issued share capital of the Company which in turn holds approximately 43.36% of the issued share capital of Value Convergence; and (ii) 4,232,627 shares of Value Convergence as a result of him being beneficially interested in the entire issued share capital of Golden Mate Co., Ltd. which in turn holds approximately 1.14% of the issued share capital of Value Convergence.
- The personal interest of Mr. Ho, Lawrence Yau Lung represents his derivative interest in Value Convergence comprising the options which were granted on 9 July 2002 and may be exercised during the period from 9 July 2002 to 8 July 2012 at an exercise price of HK\$1.00 per Value Convergence’s share.

**(B) Melco Crown Entertainment Limited (“Melco Crown Entertainment”)**

(a) 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	Note
Mr. Ho, Lawrence Yau Lung	Held by controlled corporations	578,246,156	39.44%	2
	Beneficial owner	1,244,697	0.08%	–
Mr. Tsui Che Yin, Frank	Beneficial owner	11,850	0.00%	–
Mr. Chung Yuk Man, Clarence	Beneficial owner	26,338	0.00%	–

## OTHER INFORMATION

### (b) 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	Note
Mr. Ho, Lawrence Yau Lung	Beneficial owner	947,450	0.06%	3
	Beneficial owner	124,584	0.01%	4
	Beneficial owner	181,333	0.01%	5
	Beneficial owner	483,129	0.03%	6
Mr. Chung Yuk Man, Clarence	Beneficial owner	5,262	0.00%	3
	Beneficial owner	6,228	0.00%	4
	Beneficial owner	23,007	0.00%	6

### (c) 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	Note
Mr. Ho, Lawrence Yau Lung	Beneficial owner	1,132,587	0.08%	7
	Beneficial owner	2,898,774	0.20%	8
Mr. Chung Yuk Man, Clarence	Beneficial owner	56,628	0.00%	7
	Beneficial owner	138,036	0.01%	8

#### Notes:

- As at 30 June 2009, the total number of issued shares of Melco Crown Entertainment was 1,466,317,538.
- Mr. Ho, Lawrence Yau Lung is taken to be interested in (i) 500,000,000 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; (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%; and (iii) 67,500,000 shares of Melco Crown Entertainment which are being held by Melco Crown Entertainment Asia Holdings Limited, a company which is owned by Melco Leisure as to 50%, as a result of him being beneficially interested in approximately 34.06% of the issued share capital of the Company which in turn holds approximately 39.44% of the issued share capital of Melco Crown Entertainment.
- 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 19 December 2006.

The 947,450 restricted shares held by Mr. Ho, Lawrence Yau Lung and the 5,262 restricted shares held by Mr. Chung Yuk Man, Clarence shall vest on 19 December 2009.

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 18 March 2008.

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

5. The personal interests of Mr. Ho, Lawrence Yau Lung represent his interests in Melco Crown Entertainment comprising the restricted shares which were granted to him by Melco Crown Entertainment on 25 November 2008.

Among the 181,333 restricted shares held by Mr. Ho, Lawrence Yau Lung, 90,666 shares shall vest on 31 August 2009 and 90,667 shares shall vest on 30 November 2009.

6. 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.

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

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

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

8. 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 and 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 and 34,509 options may be exercised during the period from 17 March 2013 to 16 March 2019.

## OTHER INFORMATION

### (C) **Melco China Resorts (Holding) Limited ("MCR")**

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

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of common shares of MCR held</b>	<b>Approximate % of issued common shares of MCR</b>	<i>Note</i>
Mr. Ho, Lawrence Yau Lung	Held by controlled corporations	43,109,134	49.30%	2

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

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of Class B non-voting shares of MCR held</b>	<b>Approximate % of issued Class B non-voting shares of MCR</b>	<i>Note</i>
Mr. Ho, Lawrence Yau Lung	Held by controlled corporations	8,437,565	100%	2

#### (c) *Warrants issued by MCR*

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of underlying shares of MCR held</b>	<b>Approximate % of issued common shares of MCR</b>	<i>Note</i>
Mr. Ho, Lawrence Yau Lung	Held by controlled corporations	1,000,000	1.14%	3

#### (d) *Stock Options granted by MCR*

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of stock options of MCR held</b>	<b>Approximate % of issued common shares of MCR</b>	<i>Note</i>
Mr. Chung Yuk Man, Clarence	Beneficial owner	300,000	0.34%	4

#### *Notes:*

- As at 30 June 2009, the total number of issued common shares of MCR was 87,439,344 and the total number of issued Class B non-voting shares was 8,437,565.
- Mr. Ho, Lawrence Yau Lung is taken to be interested in 43,109,134 common shares and 8,437,565 Class B non-voting shares of MCR, which are being held by Melco (Luxembourg) S.à.r.l., a wholly-owned subsidiary of Melco Leisure, as a result of him being beneficially interested in approximately 34.06% of the issued share capital of the Company which in turn holds approximately 49.30% of the issued common shares of MCR and 100% of the issued Class B non-voting shares of MCR.
- The 1,000,000 underlying shares relate to the 1,000,000 warrants issued by MCR to Melco (Luxembourg) S.à.r.l. on 28 May 2008. Each warrant entitling warrant holder to subscribe for one common share of MCR at an exercise price of CAD\$4.00 per common share at any time on or before 27 May 2010.

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

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

**(D) Elixir Gaming Technologies, Inc. ("EGT")**

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

Name of Director	Capacity	Number of shares of common stock of EGT held	Approximate % of issued share capital of EGT	Note
Mr. Ho, Lawrence Yau Lung	Held by controlled corporations	45,800,000	39.84%	2

(b) Warrants issued by EGT

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

(c) Stock options granted by EGT

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

## OTHER INFORMATION

### *Notes:*

1. As at 30 June 2009, the total number of issued shares of common stock of EGT was 114,956,667.
2. Mr. Ho, Lawrence Yau Lung is taken to be interested in 45,800,000 shares of common stock of EGT and 10,000,000 underlying shares of EGT (which relate to certain EGT warrants as described in Note 3) as a result of him being beneficially interested in approximately 34.06% of the issued share capital of the Company which in turn holds approximately 39.84% of the issued share capital of EGT.
3. The 10,000,000 underlying shares relate to 10,000,000 warrants issued by EGT to Elixir Group Limited ("Elixir"), a wholly-owned subsidiary of the Company, pursuant to the Securities Purchase Agreement entered into between Elixir and EGT dated 11 October 2006. Each warrant entitles warrant holder to subscribe for one share of common stock of EGT at exercise prices ranging from US\$1.00 to US\$3.50 per share during the period from 31 December 2007 to 31 December 2010.
4. The personal interests of Mr. Tsui Che Yin, Frank and Mr. Chung Yuk Man, Clarence represent their derivative interests in EGT comprising the stock options granted to them by EGT on 10 September 2007 at an exercise price of US\$2.90 per EGT's share.

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

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

5. The personal interest of Mr. Chung Yuk Man, Clarence represents his derivative interests in EGT comprising the stock options granted to him by EGT on 22 January 2008 at an exercise price of US\$3.62 per EGT's share. These stock options may be exercised during the period from 23 July 2008 to 22 January 2018.
6. The personal interest of Mr. Chung Yuk Man, Clarence represents his derivative interests in EGT comprising the stock options granted to him by EGT on 12 February 2008 at an exercise price of US\$4.59 per EGT's share. These stock options may be exercised during the period from 15 May 2008 to 14 November 2017.
7. The personal interest of Mr. Chung Yuk Man, Clarence represents his derivative interests in EGT comprising the stock options granted to him by EGT on 29 December 2008 at an exercise price of US\$0.17 per EGT's share. These stock options may be exercised during the period from 29 December 2009 to 29 December 2013.
8. The personal interests of Mr. Chung Yuk Man, Clarence and Mr. Sham Sui Leung, Daniel represent their derivative interests in EGT comprising the stock options granted to them by EGT on 13 February 2009 at an exercise price of US\$0.13 per EGT's share. These stock options may be exercised during the period from 13 August 2009 to 12 February 2019.
9. The personal interest of Mr. Sham Sui Leung, Daniel represents his derivative interests in EGT comprising the stock options granted to him by EGT on 11 December 2008 at an exercise price of US\$0.08 per EGT's share. These stock options may be exercised during the period from 12 June 2009 to 11 December 2018.

Save as disclosed above, as at 30 June 2009, none of the directors or chief executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2009, the following persons/corporations had interests in five per cent or more of the issued share capital of the Company as recorded in the register required to be kept under Section 336 of the SFO. Details of the interests in the shares or underlying shares of the Company as notified to the Company are set out below:

### (a) Ordinary shares of HK\$0.50 each of the Company

Name	Capacity	Number of ordinary shares held/ approximate % of issued share capital				Note
		Long Positions	%	Short Positions	%	
Better Joy Overseas Ltd.	Beneficial owner	288,532,606	23.46%	–	–	2
Lasting Legend Ltd.	Beneficial owner	115,509,024	9.39%	–	–	2
Mr. Ho, Lawrence Yau Lung	Held by controlled corporations	411,335,630	33.44%	–	–	3
	Beneficial owner	7,600,619	0.62%	–	–	–
Ms. Lo Sau Yan, Sharen	Family interest	418,936,249	34.06%	–	–	4
Janus Capital Management LLC	Beneficial owner	123,792,000	10.06%	–	–	–

### (b) 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	117,912,694	9.59%	5
Mr. Ho, Lawrence Yau Lung	Held by trust	117,912,694	9.59%	5
Ms. Lo Sau Yan, Sharen	Held by trust	117,912,694	9.59%	5
Dr. Ho Hung Sun, Stanley	Held by trust	117,912,694	9.59%	5 & 6
SG Trust (Asia) Ltd.	Held by controlled corporations	117,912,694	9.59%	5

#### Notes:

- As at 30 June 2009, the total number of issued shares of the Company was 1,230,104,776.
- The shares held by Better Joy Overseas Ltd. and Lasting Legend Ltd. also represent the corporate interests of Mr. Ho, Lawrence Yau Lung in the Company.
- 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 Ltd., Better Joy Overseas Ltd. and The L3G Capital Trust respectively, representing approximately 9.39%, 23.46% and 0.59% of the issued share capital of the Company. Lasting Legend Ltd., Better Joy Overseas Ltd. and The L3G Capital Trust are owned by persons and/or trusts associated with Mr. Ho, Lawrence Yau Lung.

## OTHER INFORMATION

4. Ms. Lo Sau Yan, Sharen is the spouse of Mr. Ho, Lawrence Yau Lung and is deemed to be interested in the shares of the Company 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, MPEL (Greater China) Limited (formerly known as Melco PBL Entertainment (Greater China) Limited) and the Company, convertible loan notes of the Company in the total principal amount of HK\$1,175,000,000 were issued to Great Respect Limited on 5 September 2005 on the terms set out in the agreement. Upon exercise in full of such convertible loan notes, a total of 117,912,694 shares, representing 8.75% of the enlarged issued share capital of the Company, will be issued by 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. The shareholders have approved the issue of the convertible loan notes without the necessity to make an offer under Rule 26 of the Takeovers Code on conversion of the convertible loan notes. Hence, no offer under Rule 26 of the Takeovers Code will be made on full conversion.
6. Dr. Ho Hung Sun, Stanley also holds 3,127,107 shares and 18,587,789 shares of the Company 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 of the Company (in respect of the share options and awarded shares granted by the Company), please refer to the section "Directors' interests in shares, underlying shares and debentures" in this report.

Save as disclosed above, as at 30 June 2009, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

### SHARE OPTION SCHEME

On 8 March 2002, the shareholders of the Company at an extraordinary general meeting approved the adoption of a share option scheme (the "Scheme") under which the directors of the Company may, at their discretion, grant to any participants of the Scheme share options to subscribe for the Company's shares, subject to the terms and conditions as stipulated therein. On 8 June 2009, the shareholders of the Company approved the amendments to the Scheme at an annual general meeting. 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 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 and consultants, professional and other advisers to the Company or any of its subsidiaries or associated companies. A summary of the movements of the share options for the six months ended 30 June 2009 is as follows:

Category of participants	Number of share options					Outstanding at 30 June 2009	Date of grant of share options	Share price at date of grant of share options HK\$	Exercise price of share options HK\$
	Outstanding at 1 January 2009	Reclassified during the period	Granted during the period	Exercised during the period	Lapsed during the period				
	Directors <sup>4</sup>	200,000	-	-	-				
Directors <sup>5</sup>	400,000	-	-	-	-	400,000	13.02.2006	11.7500	11.8000
Directors <sup>6</sup>	900,000	-	-	-	-	900,000	03.04.2006	15.7000	15.8700
Directors <sup>7</sup>	204,000	-	-	-	-	204,000	28.02.2008	11.5000	11.5000
Directors <sup>8</sup>	1,316,520	-	-	-	-	1,316,520	01.04.2008	10.7000	10.8040
Directors <sup>9</sup>	1,628,000	-	-	-	-	1,628,000	17.12.2008	2.02	2.02
Directors <sup>10</sup>	-	-	914,000	-	-	914,000	03.04.2009	2.99	2.99
Sub-total	4,648,520	-	914,000	-	-	5,562,520			



## SHARE OPTION SCHEME – continued

Category of participants	Number of share options					Outstanding at 30 June 2009	Date of grant of share options	Share price	Exercise price of
	Outstanding at 1 January 2009	Reclassified during the period	Granted during the period	Exercised during the period	Lapsed during the period			at date of grant of share options HK\$	share options HK\$
Employees <sup>11</sup>	550,000	–	–	–	–	550,000	17.09.2004	1.6875	1.6875
Employees <sup>12</sup>	230,000	–	–	–	–	230,000	01.02.2005	7.4000	7.4000
Employees <sup>13</sup>	2,530,000	(10,000)	–	–	(20,000)	2,500,000	13.02.2006	11.7500	11.8000
Employees <sup>14</sup>	1,124,100	(8,200)	–	–	(16,400)	1,099,500	01.04.2008	10.7000	10.8040
Employees <sup>15</sup>	1,844,000	–	–	(333,660)	–	1,510,340	17.12.2008	2.02	2.02
Employees <sup>16</sup>	–	–	1,402,000	–	–	1,402,000	03.04.2009	2.99	2.99
<b>Sub-total</b>	<b>6,278,100</b>	<b>(18,200)</b>	<b>1,402,000</b>	<b>(333,660)</b>	<b>(36,400)</b>	<b>7,291,840</b>			
Others <sup>17</sup>	9,900,000	–	–	–	–	9,900,000	17.09.2004	1.6875	1.6875
Others <sup>18</sup>	1,720,000	10,000	–	–	–	1,730,000	13.02.2006	11.7500	11.8000
Others <sup>19</sup>	84,900	8,200	–	–	–	93,100	01.04.2008	10.7000	10.8040
<b>Sub-total</b>	<b>11,704,900</b>	<b>18,200</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>11,732,100</b>			
<b>Total</b>	<b>22,631,520</b>	<b>–</b>	<b>2,316,000</b>	<b>(333,660)</b>	<b>(36,400)</b>	<b>24,577,460</b>			

### Notes:

- The vesting period of the share options is from the date of grant until the commencement of the exercisable period.
- As at 30 June 2009, the Company had 24,577,460 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 24,577,460 additional ordinary shares of the Company and additional share capital of approximately HK\$12,288,730 and share premium of approximately HK\$120,163,464 before issue expenses.
- During the six months ended 30 June 2009, no share options were cancelled under the Scheme. In respect of the share options exercised during the period, the weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK\$4.97.
- The 200,000 share options may be exercised during the period from 17 September 2009 to 7 March 2012.
- 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.
- 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.
- Among the 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.
- Among the 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.

## OTHER INFORMATION

9. Among the 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.
10. 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.
11. Among the 550,000 share options, 170,000 options may be exercised during the period from 17 March 2005 to 7 March 2012, 250,000 options may be exercised during the period from 17 September 2005 to 7 March 2012, 110,000 options may be exercised during the period from 17 September 2006 to 7 March 2012 and 20,000 options may be exercised during the period from 17 March 2008 to 7 March 2012.
12. The 230,000 share options may be exercised during the period from 17 March 2008 to 7 March 2012.
13. Among the 2,500,000 share options, 882,000 options may be exercised during the period from 1 April 2008 to 31 January 2016, 842,000 options may be exercised during the period from 1 April 2010 to 31 January 2016, 596,000 options may be exercised during the period from 1 April 2012 to 31 January 2016, 58,000 options may be exercised during the period from 3 April 2008 to 31 January 2016, 58,000 options may be exercised during the period from 3 April 2010 to 31 January 2016 and 64,000 options may be exercised during the period from 3 April 2012 to 31 January 2016.
14. Among the 1,099,500 share options, 366,500 share options may be exercised during the period from 1 April 2009 to 31 March 2018, 366,500 share options may be exercised during the period from 1 April 2010 to 31 March 2018 and 366,500 share options may be exercised during the period from 1 April 2011 to 31 March 2018.
15. Among the 1,510,340 share options, 140,333 share options may be exercised during the period from 1 February 2009 to 16 December 2018, 140,665 share options may be exercised during the period from 1 May 2009 to 16 December 2018, 307,329 share options may be exercised during the period from 1 August 2009 to 16 December 2018, 307,329 share options may be exercised during the period from 1 November 2009 to 16 December 2018, 307,329 share options may be exercised during the period from 1 February 2010 to 16 December 2018 and 307,355 share options may be exercised during the period from 1 May 2010 to 16 December 2018.
16. Among the 1,402,000 share options, 462,500 share options may be exercised during the period from 3 April 2010 to 2 April 2019, 462,500 share options may be exercised during the period from 3 April 2011 to 2 April 2019 and 477,000 share options may be exercised during the period from 3 April 2012 to 2 April 2019.
17. Among the 9,900,000 share options, 4,800,000 options may be exercised during the period from 17 March 2005 to 7 March 2012, 4,900,000 options may be exercised during the period from 17 September 2005 to 7 March 2012, 100,000 options may be exercised during the period from 17 September 2006 to 7 March 2012 and 100,000 options may be exercised during the period from 17 March 2008 to 7 March 2012.
18. Among the 1,730,000 share options, 430,500 options may be exercised during the period from 1 April 2008 to 31 January 2016, 467,000 options may be exercised during the period from 1 April 2010 to 31 January 2016, 732,500 options may be exercised during the period from 1 April 2012 to 31 January 2016, 39,000 options may be exercised during the period from 3 April 2008 to 31 January 2016, 29,000 options may be exercised during the period from 3 April 2010 to 31 January 2016 and 32,000 options may be exercised during the period from 3 April 2012 to 31 January 2016.
19. Among the 93,100 share options, 36,500 share options may be exercised during the period from 1 April 2009 to 31 March 2018, 28,300 share options may be exercised during the period from 1 April 2010 to 31 March 2018 and 28,300 share options may be exercised during the period from 1 April 2011 to 31 March 2018.

## 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 shares of the Company 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. The Share Purchase Scheme utilizes shares of the Company purchased in the market whereas the Share Subscription Scheme will subscribe for new shares of the Company. Directors of the Company and any of its subsidiaries will be entitled to participate in the Share Purchase Scheme but not the Share Subscription Scheme.

### (i) Share Purchase Scheme

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 six months ended 30 June 2009 are set out below:

Category of participants	Number of awarded shares							Date of award	Vesting date
	Outstanding at 1 January 2009	Reclassified during the period	Awarded during the period	Vested during the period	Lapsed during the period	Cancelled during the period	Outstanding at 30 June 2009		
Directors	60,000	-	-	(60,000)	-	-	-	28.02.2008	31.03.2009
Directors	60,000	-	-	-	-	-	60,000	28.02.2008	31.03.2010
Directors	16,000	-	-	(16,000)	-	-	-	28.02.2008	01.04.2009
Directors	16,000	-	-	-	-	-	16,000	28.02.2008	01.04.2010
Directors	16,000	-	-	-	-	-	16,000	28.02.2008	01.04.2011
Directors	131,765	-	-	(131,765)	-	-	-	01.04.2008	01.04.2009
Directors	131,765	-	-	-	-	-	131,765	01.04.2008	01.04.2010
Directors	125,998	-	-	(125,998)	-	-	-	17.12.2008	01.02.2009
Directors	125,998	-	-	(125,998)	-	-	-	17.12.2008	01.05.2009
Directors	125,998	-	-	-	-	-	125,998	17.12.2008	01.08.2009
Directors	125,998	-	-	-	-	-	125,998	17.12.2008	01.11.2009
Directors	125,998	-	-	-	-	-	125,998	17.12.2008	01.02.2010
Directors	126,010	-	-	-	-	-	126,010	17.12.2008	01.05.2010
Directors	-	-	50,500	-	-	-	50,500	03.04.2009	03.04.2010
Directors	-	-	50,500	-	-	-	50,500	03.04.2009	03.04.2011
Directors	-	-	51,000	-	-	-	51,000	03.04.2009	03.04.2012
Sub-total	1,187,530	-	152,000	(459,761)	-	-	879,769		

## OTHER INFORMATION

### (i) Share Purchase Scheme – continued

Category of participants	Number of awarded shares						Outstanding at 30 June 2009	Date of award	Vesting date
	Outstanding at 1 January 2009	Reclassified during the period	Awarded during the period	Vested during the period	Lapsed during the period	Cancelled during the period			
Employees	105,320	(10,550)	–	(94,770)	–	–	–	01.04.2008	01.04.2009
Employees	105,320	(10,550)	–	–	(2,000)	–	92,770	01.04.2008	01.04.2010
Employees	–	–	46,500	–	–	–	46,500	03.04.2009	03.04.2010
Employees	–	–	46,500	–	–	–	46,500	03.04.2009	03.04.2011
Employees	–	–	49,000	–	–	–	49,000	03.04.2009	03.04.2012
Sub-total	210,640	(21,100)	142,000	(94,770)	(2,000)	–	234,770		
Others	–	10,550	–	(7,550)	(2,000)	(1,000)	–	01.04.2008	01.04.2009
Others	–	10,550	–	–	(2,000)	(1,000)	7,550	01.04.2008	01.04.2010
Sub-total	–	21,100	–	(7,550)	(4,000)	(2,000)	7,550		
<b>Total</b>	<b>1,398,170</b>	<b>–</b>	<b>294,000</b>	<b>(562,081)</b>	<b>(6,000)</b>	<b>(2,000)</b>	<b>1,122,089</b>		

### (ii) Share Subscription Scheme

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 six months ended 30 June 2009 are set out below:

Category of participant	Number of awarded shares						Outstanding at 30 June 2009	Date of award	Vesting date
	Outstanding at 1 January 2009	Reclassified during the period	Awarded during the period	Vested during the period	Lapsed during the period	Cancelled during the period			
Employees	49,665	–	–	(49,665)	–	–	–	17.12.2008	01.02.2009
Employees	49,665	–	–	(49,665)	–	–	–	17.12.2008	01.05.2009
Employees	49,665	–	–	–	–	–	49,665	17.12.2008	01.08.2009
Employees	49,665	–	–	–	–	–	49,665	17.12.2008	01.11.2009
Employees	49,665	–	–	–	–	–	49,665	17.12.2008	01.02.2010
Employees	49,675	–	–	–	–	–	49,675	17.12.2008	01.05.2010
Employees	–	–	44,000	–	–	–	44,000	03.04.2009	03.04.2010
Employees	–	–	44,000	–	–	–	44,000	03.04.2009	03.04.2011
Employees	–	–	54,000	–	–	–	54,000	03.04.2009	01.05.2012
<b>Total</b>	<b>298,000</b>	<b>–</b>	<b>142,000</b>	<b>(99,330)</b>	<b>–</b>	<b>–</b>	<b>340,670</b>		

## 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 Listing Rules 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 2009, 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 that arbitrary term limits on directors' service are appropriate given that directors ought to be committed to representing the long term interests of the Company's shareholders and the retirement and re-election requirements of non-executive directors have given the Company's shareholders the right to approve continuation of non-executive directors' offices.

The Company set up the following board committees to ensure maintenance of a high corporate governance standard:

- a. Executive Committee;
  - (i) Business Development Sub-Committee
  - (ii) Property Sub-Committee
- b. Audit Committee;
- c. Remuneration Committee;
- d. Nomination Committee;
- e. Finance Committee;
- f. Regulatory Compliance Committee; and
- g. Corporate Social Responsibility Committee.

Term of reference of all the aforesaid committees have been posted on the Company's website.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings and code of conduct regarding securities transactions by directors set out in the Model Code throughout the six months ended 30 June 2009.

## **AUDIT COMMITTEE**

The Company's audit committee is currently composed of a non-executive director and two 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 2009.

## OTHER INFORMATION

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

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### **CHANGE OF INFORMATION OF DIRECTORS**

Dr. Lo Ka Shui, an Independent Non-executive Director of the Company, was appointed as the Chairman of The Chamber of Hong Kong Listed Companies in place of Mr. Ho, Lawrence Yau Lung, the Chairman and Chief Executive Officer of the Company, with effect from 8 May 2009.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### **INDEPENDENT REVIEW**

The interim results for the six months ended 30 June 2009 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.

### **BOARD OF DIRECTORS**

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

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

Hong Kong, 11 September 2009