Melco

Achieving our dream

Melco International Development Limited

Annual Report 2009

A Hong Kong Listed Company with Stock Code: 200

Vision

To contribute to the growth and future of the communities we serve, inspiring hope and happiness in people all over the world.

Mission

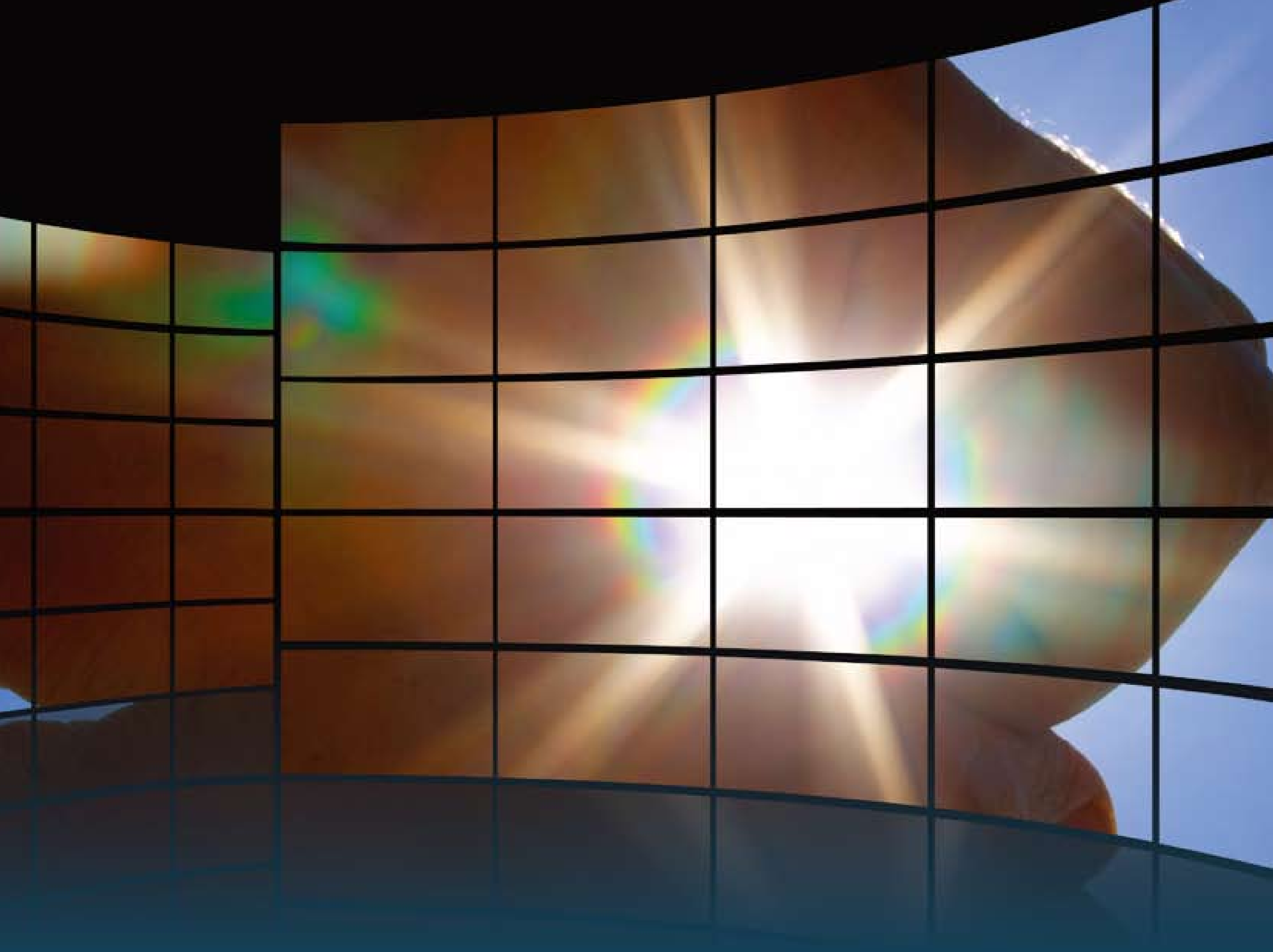
To be a dynamic company that leads the field in leisure and entertainment, we continually explore new opportunities for growth and development that create value for all stakeholders.

Values

Motivation
Enrichment
Loyalty
Credibility
Optimism

Brand Essence

Entertaining Possibilities. Achieving Growth



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FINANCIAL HIGHLIGHTS

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

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

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

CORPORATE PROFILE

Founded in 1910 and listed on the Hong Kong Stock Exchange (HKEx) in 1927, Melco International Development Limited ("Melco" or the "Company") is a company with a long history and a bright future. Today, under the leadership of Chairman and CEO Lawrence Ho, Melco has found new energy and direction as a dynamic company that leads the field in the leisure and entertainment sector.

Melco is, in fact, a company for a new generation in Asia – a generation of consumers who are eager for new experiences and ways to live their lives to the fullest. Our group companies are responding to the changing dynamics with vibrant, imaginative products and services that fulfill the demands and dreams of this increasingly affluent and ambitious generation.

CONFIDENCE LEADS TO GROWTH, GROWTH LEADS TO CONFIDENCE

Just as growth is central to the Asian economic story, it is a dominant theme in Melco's unfolding story.

Characterizing all of our Group companies is confidence that stems from recent successes in repositioning businesses for long-term growth and development of unique, proprietary products and services to attain market leadership.

The accolades that Melco has received over the past several years assured us that we are moving in the right direction and have further fuelled our confidence. The Group received the High Flyer's Corporate Achiever Award (Leisure, Gaming & Entertainment) and Top Performer Award from the HK Business Magazine and South China Morning Post respectively in 2005. In 2009, Melco is once again granted the Corporate Governance Asia Annual Recognition Award 2009 for the fourth consecutive year by Corporate Governance Asia magazine. We are also recognized by FinanceAsia magazine for the third year as one of Hong Kong's Best Managed Companies. Melco is also elected as the Best Mid-Cap and Best in Corporate Social Responsibility with our Chairman and Chief Executive Officer, Mr. Ho, Lawrence Yau Lung selected as one of the Best CEOs in Hong Kong. The Group is the first ever entertainment company to receive the "Hong Kong Corporate Governance Excellence Awards 2009" by the Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance and Financial Policy, Hong Kong Baptist University.

Melco was a founding signatory of the Hong Kong Corporate Governance Charter launched by The Chamber of Hong Kong Listed Companies. The aim of the Charter is to strengthen and foster a corporate governance culture among listed companies in Hong Kong.

CORPORATE STRUCTURE

MELCO GROUP

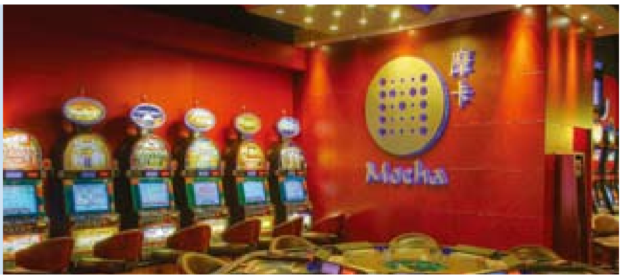
Leisure and Entertainment

Melco Crown Entertainment Limited –
a NASDAQ Global Select Market-listed company
ticker symbol “MPEL”

City of Dreams, Cotai –
Emerging Mass market

Altira Macau, Taipa –
VIP market

Mocha Clubs,
all over Macau –
Leisure Grind market



Focus on Macau gaming market

Other Businesses

Elixir Gaming Technologies, Inc. – a NYSE-AMEX listed company ticker symbol "EGT"

Focus on slot machine participation business

MelcoLot Limited – a HK-listed company stock code: 8198

Focus on Asia's lottery business

Property and Other Investments

Melco China Resorts (Holding) Limited – a TSXV-listed company trading symbol "MCG"

Focus on China ski resort market

Jumbo Kingdom

FOCUS

Gaming & Macau

"With rapidly-growing affluent generations across Asia, the region's entertainment industry, particularly in Macau, promises great growth potential."

Building Our Dream; Realizing Our Promises

"After five years of meticulous planning, our dream of building a first-of-its-kind integrated entertainment resort in Macau has finally come true."

HONOR

Establishing Reputation Through Conscience

"The many accolades we have received represent recognition from business and charitable communities for our continued pursuit for excellent corporate governance and ethics."

CARE

Joining Hands For Better Future

"The business sector plays an important role in maintaining sustainability and stability of a community. Corporate social responsibility will always be an integral part of our corporate mission."

CHAIRMAN & CEO'S STATEMENT

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

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

However, as City of Dreams only opened in June 2009 and its mass market offerings were not yet in full operation during the review year, its contribution to the Group's results was restricted. In addition, Altira

Macau underwent strategic changes in the last quarter of 2009 – although its rolling chip performance was temporarily disrupted, it has already shown improvement in 2010.

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

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

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

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

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

Ho, Lawrence Yau Lung
Chairman and Chief Executive Officer

MANAGEMENT DISCUSSION & ANALYSIS

SIGNIFICANT EVENTS AND DEVELOPMENTS

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

CORE BUSINESSES

Gaming Business in Macau

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

Despite continued challenges in its operating environment, Melco Crown Entertainment's flagship property, City of Dreams, opened on time and within budget in June 2009. Although City of Dreams could only contribute seven months' revenue towards Melco Crown Entertainment in 2009, City of Dreams has quickly become the "must experience" integrated urban entertainment resort in Macau. With its sophisticated, highly contemporary, city-inspired offerings, City of Dreams offers Asian and international visitors in Macau a diverse entertainment and leisure experience. With City of Dreams, Melco successfully tapped into the high-growth mass market in Macau. Over the

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

past six months, City of Dreams continuously fine-tuned its offerings by improving the ambiance on its casino floor, which has shown promising results and brought increased traffic. Sequential improvement in mass market hold and table drop were reported, with drop volume breaking US$150 million for the first time in December 2009. Strong operational performance continued at the beginning of 2010, with January's drop volume surpassing US$170 million.

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

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

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

MANAGEMENT DISCUSSION & ANALYSIS

Gaming Machine Revenue Participation Business in South East Asia

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

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

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

Lottery Management Business in Asia

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

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

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

NON-CORE BUSINESSES

Ski Resort Business in China

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

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

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

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

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

Financial Services Business in Hong Kong and Macau

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

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

OUTLOOK

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

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

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

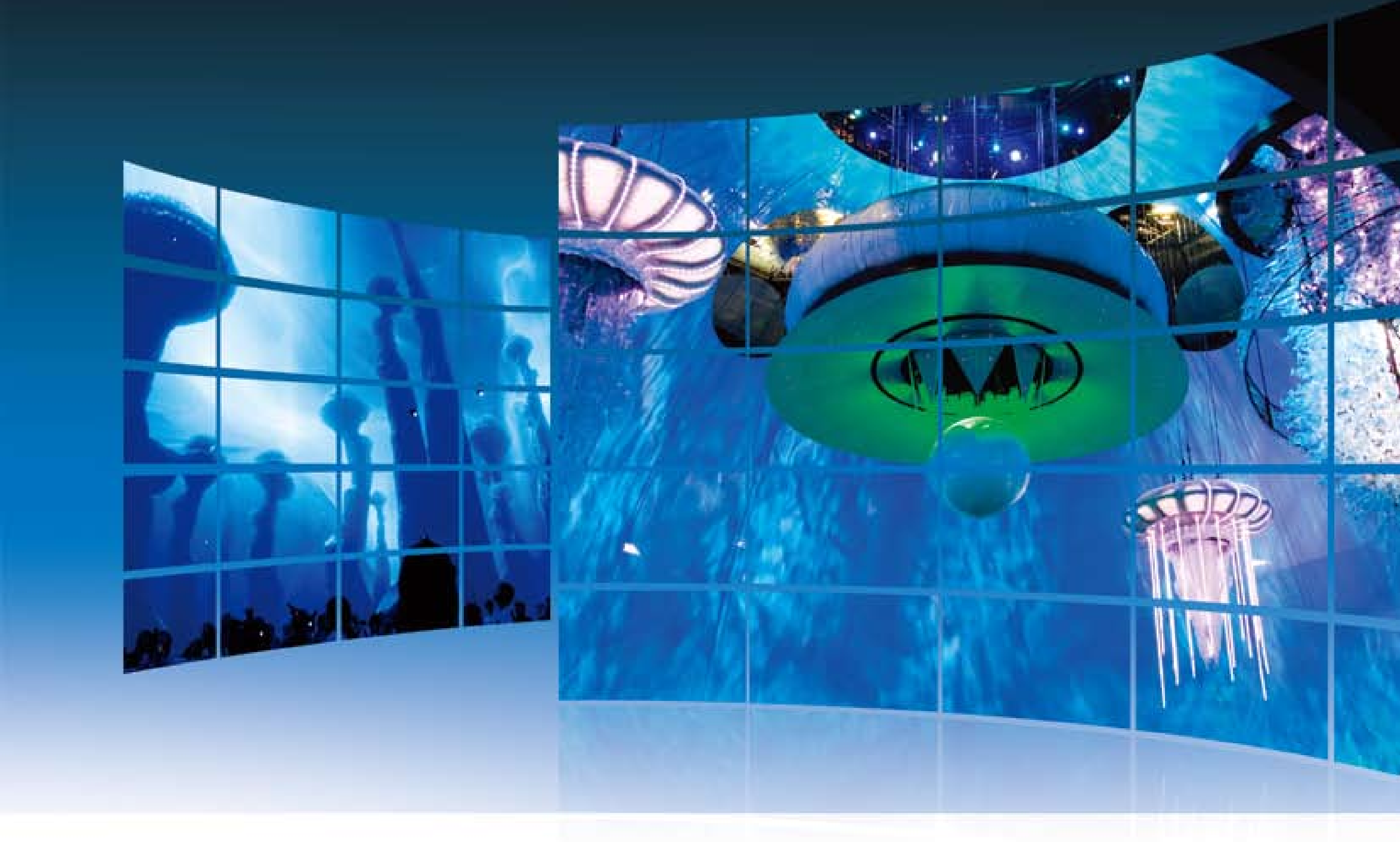
Boasting a comprehensive portfolio of assets targeting a wide range of customer segments, the Group is well-positioned to compete favourably and strongly benefit from the rising performance trend of the gaming industry in Macau.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

To facilitate the review, the segmental information shown in Note 9 to the consolidated financial statements is reproduced below with some minor re-arrangements:

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



LEISURE, GAMING AND ENTERTAINMENT

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

(1) Core leisure, gaming and entertainment businesses

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

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

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

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

Jumbo Kingdom

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

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

Others

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

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$9.0 million for the year ended 31 December 2009 (year ended 31 December 2008: loss of HK$251.9 million) and was made up as follows:

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

Elixir Technology

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

iAsia Online

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

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

PROPERTY AND OTHER INVESTMENTS

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

SHARE OF LOSSES OF ASSOCIATES

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

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

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

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

According to the financial statements (prepared under US GAAP) of Melco Crown Entertainment, Melco Crown Entertainment reported net revenue of US$1.33 billion for the year ended 31 December 2009, versus US$1.42 billion for the year ended 31 December 2008. Melco Crown Entertainment reported a net loss of US$308.5 million for 2009,

compared to a net loss of US$2.5 million for 2008. The year-on-year decrease in net revenue was driven primarily by a decline in global economic conditions combined with low rolling chip hold percentages at Altira Macau and City of Dreams, which was partially offset by the opening of City of Dreams in June 2009. The year-on-year increase in net loss was primarily due to increased depreciation and amortisation expenses and lower capitalized interest following the opening of City of Dreams, as well as lower than expected rolling chip volume and rolling chip hold percentage.

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

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

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

(2) Share of loss of EGT

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

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

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

(3) Share of loss of MelcoLot

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

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

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

(4) Share of loss of MCR

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

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

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

(5) Share of profit of VC

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

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

(6) Share of profit of iAsia Online

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

(7) Share of loss of Power Way

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

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

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

SHARE OF (LOSS) PROFIT OF A JOINTLY CONTROLLED ENTITY

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

On 11 September 2007 and 24 September 2007, the Exchangeable Bonds with an aggregate principal amount of HK$1,560 million (US$200 million) and HK$390 million (US$50 million) respectively (together US$250 million) were issued. Both of which will mature in September 2012 and have been listed on the Singapore Stock Exchange. The holders of

Exchangeable Bonds have a put option exercisable in September 2010 to require Melco Crown SPV to redeem the full amount of the aggregated principal amount. The put option is only exercisable on a single occasion in September 2010 and cannot be exercised after that date. The Exchangeable Bonds are jointly and severally guaranteed by the Group and Crown Limited. As at 31 December 2009, Melco Crown SPV is at a net deficit position and the Group therefore recognised a further provision for deficit of Melco Crown SPV for approximately HK$24.4 million, which is included in financial guarantee liability classified as current liabilities.

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

LOSS ON DEEMED DISPOSAL OF INTERESTS IN ASSOCIATES

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

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

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

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

(2) Loss on deemed disposal of interest in VC

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

(3) Loss on deemed disposal of interest in MelcoLot

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

GAIN ON CHANGES IN INTEREST IN AN ASSOCIATE

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

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

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

GAIN ON DISPOSAL OF INTEREST IN AN ASSOCIATE

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

LOSS ON DISPOSAL OF A SUBSIDIARY

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

IMPAIRMENT LOSS RECOGNISED IN RESPECT OF AMOUNT DUE FROM AN ASSOCIATE

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

IMPAIRMENT LOSS RECOGNISED IN RESPECT OF INTERESTS IN ASSOCIATES

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

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

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

FAIR VALUE CHANGES ON DERIVATIVE FINANCIAL INSTRUMENTS

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

FAIR VALUE CHANGE ON INVESTMENT IN CONVERTIBLE LOAN NOTE

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

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

UNALLOCATED CORPORATE INCOME

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

CENTRAL ADMINISTRATIVE COSTS AND OTHER UNALLOCATED CORPORATE EXPENSES

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

FINANCE COSTS

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

INCOME TAX EXPENSE

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

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

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

As of 31 December 2009, total assets of the Group were HK$8,537.9 million (31 December 2008: HK$10,406.1 million) which were financed by shareholders' funds of HK$6,681.8 million (31 December 2008: HK$7,899.5 million), minority interests of HK$27.3 million (31 December 2008: HK$26.0 million), current liabilities of HK$1,608.1 million (31 December 2008: HK$826.2 million), and non-current liabilities of HK$220.7 million (31 December 2008: HK$1,654.4 million). The Group's current ratio, expressed as current assets over current liabilities, was maintained at a level of 0.7 (31 December 2008: 1.1). The Group has net current liabilities of approximately HK$543.6 million as at 31 December 2009, where the convertible loan note of approximately HK$1,128.2 million will be matured in September 2010 originally. As disclosed in Note 56 to consolidated financial statements, the Company has agreed with the holder of the convertible loan note, to extend the maturity date from 4 September 2010 to 4 September 2013 with effect from 18 February 2010.

MANAGEMENT DISCUSSION & ANALYSIS

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

As at 31 December 2009, the Group's convertible loan note amounted to HK$1,128.2 million, which was non-interest bearing and originally due in September 2010. The maturity date of the convertible loan note has been extended to September 2013 with effect from 18 February 2010. The long term payable to Crown Limited amounted to HK$170.5 million, which was unsecured, non-interest bearing and due in May 2011. The shareholder's loan amounting to HK$250 million was fully settled during the year ended 31 December 2009. As at 31 December 2009, the Group's total available bank loan facilities from various banks amounted to HK$216.6 million (31 December 2008: HK$313 million), of which HK$66.6 million (31 December 2008: HK$83 million) was secured by pledging HK$166 million of the Group's investment properties. As at 31 December 2009, the Group utilized HK$150 million and HK$66.6 million of unsecured and secured bank loan facilities respectively (31 December 2008: unsecured HK$230 million; secured HK$83 million). Details of bank borrowings are given in Note 43 to the consolidated financial statements.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

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

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

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

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

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

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

HEADCOUNT/EMPLOYEES' INFORMATION

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

HUMAN RESOURCES

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

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

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

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

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

CONTINGENT LIABILITIES

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

The Group recognised a financial guarantee liability of approximately HK$146.2 million as at 31 December 2009 in respect of the Exchangeable Bonds issued by Melco Crown SPV, the jointly controlled entity of the Group, which are jointly and severally guaranteed by the Company and Crown Limited.

FOREIGN EXCHANGE EXPOSURE

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

CORPORATE RECOGNITION

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

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

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

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

INVESTOR RELATIONS

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

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

CORPORATE CITIZENSHIP

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

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

GREEN ENVIRONMENT

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

Melco is committed in environmental protection and has initiated the 'Greening in Melco' and promotes environmental protection program within the Group. The Group initiated printing policy to foster the green practice among the Group. In 2009, Melco set up the three-year Melco Green Fund to support the Community Chest of Hong Kong on green-related educational and research projects. The Group received an Indoor Air Quality (IAQ) Certificate (Good Class) from the IAQ Solutions Centre of the Business Environment Council, recognising its efforts in providing employees with a greener and healthier workplace. The Group also gained the Class of Good in WasteWise Label scheme under Hong Kong Awards for Environmental Excellence in recognition of its continued efforts in reduces waste in daily operation.

2009 Event Highlights (Green Environment)

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

EDUCATION

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

2009 Event Highlights (Education)

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

YOUTH DEVELOPMENT

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

2009 Event Highlights (Youth Development)

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

OTHER COMMUNITY ENGAGEMENTS

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

2009 Event Highlights (Community)

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

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

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

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

DIVIDEND

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

MANAGEMENT PROFILE

DIRECTORS

Mr. HO, Lawrence Yau Lung (aged 33)
Executive Director (Chairman and Chief Executive Officer)
Mr. Ho was appointed Group Managing Director of the Company in November 2001 after he completed a General Offer for shares of the Company. He was subsequently appointed as Chairman and Chief Executive Officer on 15 March 2006. He is the Chairman of the executive committee, finance committee and regulatory compliance committee and a member of the nomination committee and corporate social responsibility committee of the Company. Mr. Ho is also the Co-Chairman and Chief Executive Officer of Melco Crown Entertainment Limited, a company listed on the NASDAQ Global Select Market that holds one of six gaming concessions and subconcessions to own and operate gaming business in Macau. Mr. Ho is a director of both Lasting Legend Ltd. and Better Joy Overseas Ltd., substantial shareholders of the Company.

Mr. Ho is a graduate of the University of Toronto, Canada and holds a Bachelor of Arts degree, majoring in commerce. Mr. Ho was awarded the Honorary Doctor of Business Administration degree by Edinburgh Napier University, Scotland for his contribution to business, education and the community in Hong Kong, Macau and China. He is active in community services and serves on numerous boards and committees in Hong Kong, Macau and mainland China. He sits on the Board of Directors of The Community Chest. He is also Member of The Chinese People's Political Consultative Conference, Shanghai Committee; Member of Science and Technology Council of the Macau SAR Government; Member of All China Youth Federation; Member of Macau Basic Law Promotional Association; Chairman of Macau International Volunteers Association; Member of Campaign Committee of The Community Chest; Board of Governors of The Canadian Chamber of Commerce in Hong Kong; Honorary Lifetime Director of the Chinese General Chamber of Commerce, Hong Kong; President of Macau Canadian Chamber of Commerce; Member of Association of Property Agents and Real Estate Developers of Macau and Lifetime Member of Macao Chinese General Chamber of Commerce.

Over the years, Mr. Ho has received multiple accolades for his excellent directorship and entrepreneurship. In 2005, he was granted the "5th China Enterprise Award for Creative Businessmen" by China Marketing Association and China Enterprise News; "Leader of Tomorrow" by Hong Kong Tatler; "Best CEO" by Institutional Investor; and "Directors of the Year Award" by the Hong Kong Institute of Directors.

Mr. Ho continued to be a socially-responsible young entrepreneur in the years to come. The Junior Chamber International Hong Kong recognized Mr. Ho as one of the "Ten Outstanding Young Persons" in 2006. He was then elected as a finalist in the "Best Chairman" category in the "Stevie International Business Awards" and one of the "100 Most Influential People across Asia Pacific" by Asiamoney magazine in 2007. And in 2008, he was granted "China Charity Award" by the Ministry of Civil Affairs of the People's Republic of China.

In 2009, Mr. Ho was selected by FinanceAsia as one of the "Best CEOs in Hong Kong", "China Top 10 Financial and Intelligent Persons" judged by a panel led by the Beijing Cultural Development Institute and Fortune China; and was named "Young Entrepreneur of the Year" at Hong Kong's first Asia Pacific Entrepreneurship Awards.

Mr. TSUI Che Yin, Frank (aged 52)
Executive Director
Mr. Tsui has been an Executive Director of the Company since November 2001. He is also a member of the executive committee, finance committee, regulatory compliance committee and corporate social responsibility committee of the Company.

Mr. Tsui has more than 28 years of experience in investment and banking, having held senior management positions at various international financial institutions. He is currently a Director of Melco China Resorts (Holding) Limited, a company listed on the TSX Venture Exchange of Canada, an Independent Non-executive Director of Jinhui Holdings Company Limited, a company listed on the Hong Kong Stock Exchange, and a Non-executive Director of Jinhui Shipping and Transportation Limited, a company listed on the Oslo Stock Exchange. Prior to joining the Group, Mr. Tsui was the President of China Assets Investment Management Limited which is the investment manager of China Assets (Holdings) Limited, a listed investment holding company in Hong Kong.

Mr. Tsui graduated with a bachelor's and a master's degree in business administration from the Chinese University of Hong Kong and with a law degree from the University of London. He is a member of the Certified General Accountants Association of Canada and the Hong Kong Securities Institute.

Mr. CHUNG Yuk Man (aged 47)

Executive Director

Mr. Chung has been an Executive Director of the Company since May 2006. He is a member of the executive committee, finance committee and corporate social responsibility committee of the Company. He is currently a director of Melco Crown Entertainment Limited, a company listed on the NASDAQ Global Select Market, and Chairman and Chief Executive Officer of Elixir Gaming Technologies, Inc., a company listed on the New York Stock Exchange (NYSE-Amex).

Mr. Chung has more than 20 years of experience in the financial industry in various capacities as a chief financial officer, an investment banker and a merger and acquisition specialist. Mr. Chung was named one of the "Asia Gaming 50 – 2009" by Inside Asian Gaming magazine.

Mr. Chung holds a bachelor degree in business administration from the Chinese University of Hong Kong and a master degree in business administration from the Kellogg School of Management at Northwestern University. He is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.

Mr. NG Ching Wo (aged 60)

Non-executive Director

Mr. Ng has been a Non-executive Director of the Company since September 2004. He is also the Chairman of the nomination committee and a member of the audit committee and remuneration committee of the Company.

Mr. Ng is a senior partner of King & Wood. Mr. Ng received his L.L.B. from the University of Alberta in Canada and was admitted to practise as a barrister and solicitor in Alberta in 1981. He is qualified as a solicitor in both the United Kingdom and Hong Kong. Mr. Ng's practice focused primarily in the area of cross-border corporate and commercial work and he has experience in mergers and acquisitions, take-overs of private and listed companies, cross-border initial public offerings, tax planning, large-scale international joint ventures and technology transfer. He was previously a non-executive director of United Pacific Industries Limited and an independent non-executive director of Finet Group Limited, all being listed companies in Hong Kong.

Sir Roger LOBO, C.B.E., LL.D., J.P. (aged 86)

Independent Non-executive Director

Sir Roger has been an Independent Non-executive Director of the Company since February 1998. He is also the Chairman of the audit committee and corporate social responsibility committee and a member of the remuneration committee and nomination committee. Sir Roger is currently an independent non-executive director of Shun Tak Holdings Limited and PCCW Limited, companies listed on the Hong Kong Stock Exchange, and Johnson & Johnson (HK) Limited.

Sir Roger is a prominent figure in Hong Kong and Macau and has served on numerous public offices in the past. He was an Executive Council Member between 1967 and 1985, a Legislative Council Member between 1972 and 1985 (Senior Legislative Council Member between 1980 and 1985) and a Member of Urban Council (1965-1978). In addition, he was Chairman of the Advisory Committee on Post-Retirement Employment (1987-1998), Chairman of Hong Kong Broadcasting Authority (1989-1997) and Chairman and Member of various committees of Independent Commission Against Corruption (1975-1985).

Sir Roger is currently serving on many civic and social services offices. These offices include Vice-Patron of the Community Chest of Hong Kong and The Society of Rehabilitation and Crime Prevention, Hong Kong; Member of the Board of Trustees of Business and Professionals Federation of Hong Kong; Council Member of Caritas Hong Kong; and Honorary Commissioner of Civil Aid Services.

MANAGEMENT PROFILE

Dr. LO Ka Shui, G.B.S., J.P. (aged 63)
Independent Non-executive Director
Dr. Lo has been an Independent Non-executive Director of the Company since September 2004. He is also the Chairman of the remuneration committee and a member of regulatory compliance committee of the Company.

Dr. Lo is the Chairman and Managing Director of Great Eagle Holdings Limited and the Non-executive Director and Chairman of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion Real Estate Investment Trust). He is also a Non-executive Director of The Hongkong and Shanghai Banking Corporation Limited and an Independent Non-executive Director of Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited, China Mobile Limited and Winsor Properties Holdings Limited, all of which are public companies on the Hong Kong Stock Exchange. Dr. Lo is a Vice President of The Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research, a Board Member of the Hong Kong Airport Authority and the Chairman of The Chamber of Hong Kong Listed Companies.

He graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has more than 30 years' experience in property and hotel development and investment both in Hong Kong and overseas.

Mr. SHAM Sui Leung, Daniel (aged 54)
Independent Non-executive Director
Mr. Sham has been an Independent Non-executive Director of the Company since June 2006. He is also a member of the audit committee of the Company.

Mr. Sham qualified as a chartered accountant in England and Wales, and worked as a certified public accountant in Hong Kong for over 20 years. He has all-round experience in accounting, auditing and other related works, especially in the fields of corporate finance and securities regulations. He was a partner of Moores Rowland Mazars for 14 years until he retired on 31 December 2003. After his retirement, he rejoined Moores Rowland Mazars as a consultant in late 2004 and worked in that capacity until March 2006. Mr. Sham is currently an Independent Non-executive Director AEON Stores (Hong Kong) Co., Limited, a company listed on the Hong Kong Stock Exchange.

Mr. Sham graduated with a Bachelor of Arts in Economics at University of Leeds. He was a member of the Auditing Standard Committee, the Expert Panel on Listing and the Expert Panel on Securities and the Accountants' Report Task Force of the Hong Kong Institute of Certified Public Accountants ("HKICPA"). He was also a member of the Disciplinary Panel of HKICPA.

SENIOR MANAGEMENT

Mr. TSANG Yuen Wai, Samuel (aged 55)
Group Legal Counsel & Company Secretary
Mr. Tsang joined the Group in November 2001. Mr. Tsang is a solicitor admitted in Hong Kong, England and Australia. As Group Legal Counsel and Company Secretary, Mr. Tsang oversees the legal, corporate and compliance matters of Melco Group. Mr. Tsang has worked as a lawyer with major law firms and listed conglomerates in Hong Kong for over 20 years. He holds a master of laws degree from University of Hong Kong and a master of business administration degree from the Australian Graduate School of Management. He is currently a director of Elixir Gaming Technologies, Inc., a company listed on the New York Stock Exchange (NYSE-Amex).

Mr. KO Chun Fung, Henry (aged 50)
Executive Director and Chief Executive Officer of MelcoLot Limited
Mr. Ko is an executive director and Chief Executive Officer of MelcoLot Limited ("MelcoLot"), a company held by Melco as to 11.06% and whose shares are listed on the Hong Kong Stock Exchange. Mr. Ko is a seasoned professional with a strong track record of successful senior positions in Asia. He has led various high profile ventures in the telecom industry. Prior to entering the lottery industry, he was a founder of iAsia Online Systems Limited, and in his capacity as CEO and executive director, nurtured its growth into a leading financial trading solutions vendor in Hong Kong and mainland China. Mr. Ko then went on the setting up of the lottery business which was

subsequently acquired by MelcoLot in late 2007, in his capacity as CEO and executive director of PAL Development Limited. Upon the acquisition of the lottery business, Mr. Ko was appointed to the Board and CEO of MelcoLot and continues to lead the lottery business of MelcoLot Group.

Mr. Ko obtained a Bachelor of Engineering degree (first class honours) in 1982. In 1990, he received an Australian Postgraduate Course Award to study at the Australian Graduate School of Management, where he obtained his Master of Business Administration degree.

Mr. TAM Chi Wai, Dennis, PhD, CPA (Aust), CMA (aged 40)

Group Finance Director and Qualified Accountant

Mr. Tam joined the Group in 2006. He has more than 15 years of experience in accounting, financial control, corporate finance and mergers & acquisitions. Before joining the Group, Mr. Tam was the Head of Finance at Quality Healthcare Medical Services and has held key management positions in various multinational companies including Marsh & McLennan and BF Goodrich. He obtained his Master Degree in Accounting from Monash University and completed his PhD program at Washington Intercontinental University. He was also trained at Harvard Business School in Boston. Mr. Tam is a fellow member of the Financial Services Institute of Australasia, a member of CPA Australia, a member of the Institute of Certified Management Accountants and a member of the Institute of Administrative Management in United Kingdom.

Mr. LAW Kwok Fai, Alan (aged 48)

Group Internal Audit Director

Mr. Law joined the Group in 2007. Mr. Law has more than 20 years of experience in public accountancy, financial management, internal control and operational risk management. He held management positions in multinational companies of various industries including KPMG, Peninsula Hotels Group, Standard Chartered Bank and Citigroup. Prior to joining the Group, he was the Quality Assurance Head of Citigroup Hong Kong for 10 years. Mr. Law obtained his Master Degree of Business Administration from the University of Warwick. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and also an associate member of the Institute of Chartered Accountants in England and Wales.

CORPORATE GOVERNANCE REPORT

The maintenance of a high standard of corporate governance has been and remains a top priority of the Group (Melco International Development Limited ("Melco" or the "Company") and its subsidiaries). The Group is committed to promoting and maintaining the highest standard of corporate governance, with the objectives of (i) the maintenance of responsible decision making, (ii) the improvement in transparency and disclosure of information to shareholders, (iii) the continuance of respect for the rights of shareholders and the recognition of the legitimate interests of shareholders, and (iv) the improvement in management of risks and the enhancement of performance by the Group. We consider good corporate governance to be the cornerstone of a well managed organisation.

The Group's continuous effort to promote excellence and high standards of corporate governance practices continued to earn market recognition from different stakeholders. Melco received numerous corporate governance awards during past years. In 2009, it was awarded the "Corporate Governance Asia Annual Recognition Award" by *Corporate Governance Asia* magazine for the fourth consecutive year. It was also recognized by the renowned *FinanceAsia* magazine as one of Hong Kong's "Best Managed Companies" in 2009 and was also selected as one of the "Best mid-cap companies" and "Best in Corporate Social Responsibility" in Hong Kong. In addition, the Group is the first entertainment company to receive the "Hong Kong Corporate Governance Excellence Awards 2009" by the Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance and Financial Policy, Hong Kong Baptist University. All of these accolades represent the market's recognition of our dedication towards improving corporate governance. Melco will continue to uphold its high level of corporate governance and bring the highest possible returns to its shareholders.

CORPORATE GOVERNANCE PRACTICES

(a) Application of Corporate Governance Principles and Promulgation of Company's Corporate Governance Code

The Company has applied the principles set out in the Code on Corporate Governance Practices (the "HKSE Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") with the aforementioned objectives in mind. To this end, the Company has promulgated a set of Code on Corporate Governance (the "Company Code") which sets out the corporate standards and practices used by the Company to direct and manage its business affairs. It is prepared by referencing to the principles, Code Provisions and Recommended Best Practices set out in the HKSE Code, which came into effect on 1 January 2005. In addition to formalizing existing corporate governance principles and practices, the Company Code also serves the purpose of assimilating existing practices with benchmarks prescribed by the HKSE Code and ultimately ensuring high transparency and accountability to the Company's shareholders. The Company Code has been posted on the Company's website.

(b) Compliance of the Code Provisions of the Company Code and HKSE Code

The Company has complied with all provisions in the Company Code and the HKSE Code throughout the financial year ended 31 December 2009 with two deviations mentioned below:

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

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

Outlined below are the policies, processes and practices adopted by the Company in compliance with the principles and spirit of the HKSE Code and the Company Code.

THE BOARD OF DIRECTORS – FUNCTION AND COMPOSITION

The Board is entrusted with the overall responsibility for promoting the success of the Company by directing and supervising the Company's business and affairs. The ultimate responsibility for the day to day management of the Company is delegated to the Chief Executive Officer/Managing Director and the management. Lists of (1) duties and powers delegated to the Company's Chairman and Chief Executive Officer/Managing Director and matters reserved for decision of the Board and (2) division of responsibilities between the Company's Chairman and Chief Executive Officer/Managing Director are given at the Company's website under the section "Corporate Governance".

The Board comprises a total of seven Directors, with three Executive Directors, namely, Mr. Ho, Lawrence Yau Lung (Chairman and Chief Executive Officer), Mr. Tsui Che Yin, Frank and Mr. Chung Yuk Man, Clarence; one Non-executive Director, namely, Mr. Ng Ching Wo; and three Independent Non-executive Directors, namely, Sir Roger Lobo, Dr. Lo Ka Shui and Mr. Sham Sui Leung, Daniel. The Non-executive Director and the Independent Non-executive Directors, all of whom are independent of the management of the Group's businesses, are highly experienced professionals with substantial experience in areas such as legal, accounting and financial management. Their mix of skills and business experience is a major contribution to the future development of the Company. They ensure that matters are fully debated and that no individual or group of individuals dominates the Board's decision making processes. In addition, they facilitate the Board to maintain a high standard of financial and other mandatory reporting and provide adequate checks and balances to safeguard the interests of shareholders and the Company as a whole.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years. This year, Mr. Chung Yuk Man, Clarence, Dr. Lo Ka Shui and Mr. Sham Sui Leung, Daniel will retire and they are eligible to offer themselves for re-election at the forthcoming annual general meeting ("2010 AGM"). Due to other business engagements which require more of his attention, Dr. Lo Ka Shui does not seek for re-election as an Independent Non-executive Director of the Company. Mr. Chung Yuk Man, Clarence and Mr. Sham Sui Leung, being eligible, offer themselves for re-election at the 2010 AGM. The biographical details of the retiring directors proposed for re-election have been set out in a circular to assist shareholders to make an informed decision on their elections.

CORPORATE GOVERNANCE REPORT

Board Meetings

The Board meets regularly over the Company's affairs and operations. The Board held a total of six meetings during the year ended 31 December 2009 and the average attendance rate was 100%. The Chief Financial Officer/Group Finance Director and the Group Legal Counsel and Company Secretary also attend all board meetings to advise on statutory compliance, legal, accounting and financial matters. All businesses transacted at the meetings were documented and maintained in accordance with applicable laws and regulations.

Set out below is the attendance record of each member of the Board at the board meetings during the year ended 31 December 2009 which illustrates the attention given by the Board in overseeing the Company's affairs:

	No. of meetings attended/held in the year 2009	**Attendance rate**
Executive Directors		
Mr. Ho, Lawrence Yau Lung *(Chairman and Chief Executive Officer)*	6/6	100%
Mr. Tsui Che Yin, Frank	6/6	100%
Mr. Chung Yuk Man, Clarence	6/6	100%
Non-executive Director		
Mr. Ng Ching Wo	6/6	100%
Independent Non-executive Directors		
Sir Roger Lobo	6/6	100%
Dr. Lo Ka Shui	6/6	100%
Mr. Sham Sui Leung, Daniel	6/6	100%

Procedure to enable Directors to seek independent professional advice

To assist the Directors to discharge their duties to the Company, the Board has established written procedures to enable the Directors, upon reasonable request, to seek independent professional advice, at the Company's expense, in appropriate circumstances. No request was made by any Director for such independent professional advice in 2009.

Securities Dealings by Directors and Relevant Employees

The Company has adopted a code of conduct regarding Directors' securities dealings on terms as set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of the Directors of the Company, all Directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding securities dealings by directors as set out in the Model Code for the year 2009.

The Board has established a "Code of Securities Dealings by Relevant Employees" for relevant employees of the Company to regulate their dealings in the securities of the Company so as to comply with the Directors' obligations under code provision A.5.4 of the HKSE Code.

DELEGATION BY THE BOARD

Management functions

The Board delegates day-to-day operations of the Group to the management. Both the Board and the management have clearly defined authorities and responsibilities under various internal control and check-and-balance mechanisms. The Board has established in writing which issues require decision of the full Board and which can be delegated by the Board to board committees or management.

Board Committees

To assist the Board in execution of its duties and to facilitate effective management, certain functions of the Board have been delegated by the Board to various board committees, which review and make recommendations to the Board on specific areas.

Each committee has its defined scope of duties and terms of reference and the committee members are empowered to make decisions on matters within the terms of reference of each committee. The terms of reference of the board committees have been posted on the Company's website under the section "Corporate Governance".

(1) Executive Committee

The Executive Committee is made up of the Company's Executive Directors, namely, Mr. Ho, Lawrence Yau Lung (Chairman), Mr. Tsui Che Yin, Frank, Mr. Chung Yuk Man, Clarence and members of the Company's senior management. The Executive Committee holds meetings from time to time to discuss operational matters of the Company's business and new projects. It oversees the implementation of the Company's strategic objectives and risk management policies and the business and operations of all of the business units of the Group.

(2) Audit Committee

The Audit Committee was formed on 24 March 1999 and is composed of two Independent Non-executive Directors and a Non-executive Director, namely, Sir Roger Lobo (Chairman), Mr. Ng Ching Wo and Mr. Sham Sui Leung, Daniel. The primary duties of the Audit Committee are (a) to review the Group's financial statements and published reports, (b) to provide advice and comments thereon to the Board and (c) to review and supervise the financial reporting process and internal control procedures of the Group. Other details of the role and function of the Audit Committee are available on the Company's website under the section "Corporate Governance".

During the year 2009, the Audit Committee held a total of two meetings and the average attendance rate was 100%. The attendance record of each member of the Committee is set out below:

	No. of meetings attended/held in the year 2009	**Attendance rate**
Sir Roger Lobo *(Chairman)*	2/2	100%
Mr. Ng Ching Wo	2/2	100%
Mr. Sham Sui Leung, Daniel	2/2	100%

The Audit Committee has reviewed the Company's half-yearly and annual results and its system of internal control and has made suggestions to improve them. The Committee also carried out and discharged its duties as set out in HKSE Code. In the course of doing so, the Committee has met the Company's management internal and external auditors several times during 2009.

(3) Nomination Committee

The Nomination Committee is made up of the Company's Executive Director, Non-executive Director and Independent Non-executive Director, namely Mr. Ng Ching Wo (Chairman), Sir Roger Lobo and Mr. Ho, Lawrence Yau Lung. It reviews the structure, size and composition of the Board (including the skills, knowledge and experience); identifies the individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorship; and makes recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors.

During the year 2009, the Nomination Committee held one meeting for reviewing the structure, size and composition of the Board. The attendance record of each member of the Committee is set out below:

	No. of meetings attended/held in the year 2009	**Attendance rate**
Mr. Ng Ching Wo *(Chairman)*	1/1	100%
Sir Roger Lobo	1/1	100%
Mr. Ho, Lawrence Yau Lung	1/1	100%

(4) Remuneration Committee

The Remuneration Committee is made up of the Company's Non-executive Director and Independent Non-executive Directors, namely Dr. Lo Ka Shui (Chairman), Sir Roger Lobo and Mr. Ng Ching Wo. It makes recommendations to the Board on policies and structure for remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; and determines the remuneration packages for executive directors and senior management and to make recommendations to the Board on the remuneration of Non-executive Directors. Other details of the role and function of the Remuneration Committee are given at the Company's website under the section "Corporate Governance".

During the year 2009, the Remuneration Committee held a total of three meetings. The attendance record of each member of the Committee is set out below:

	No. of meetings attended/held in the year 2009	**Attendance rate**
Dr. Lo Ka Shui (Chairman)	3/3	100%
Sir Roger Lobo	3/3	100%
Mr. Ng Ching Wo	3/3	100%

Remuneration policy

The formulation of the Group's remuneration strategy and policy is based on the principles of equity and market competitiveness so as to drive staff to work towards the mission of the Group and to retain talents. As a long-term incentive plan and with the aim at motivating Directors and employees in the continued pursuit of the Company's goal and objectives and to recognize their contributions to the Group, the Company has adopted (1) a share option scheme under which the Company may grant share options to the Directors/employees to subscribe for the shares of the Company and (2) two share incentive award schemes, namely, The Melco Share Purchase Scheme Trust and The Melco Share Award Scheme Trust, under which the Company may grant awarded shares to the Directors/employees.

Emoluments of Directors

The emoluments of the Directors are determined with regard to the performance of individuals, the Company's operating results and market standards. During the year, the Remuneration Committee has considered and approved bonus payments to employees of the Group, salary adjustment for some employees, salary cut arrangement for some of the senior staff of the Group, share options and restricted shares granted to the Directors and management of the Group.

(5) Finance Committee

The Finance Committee is made up of the Company's Executive Directors, namely, Mr. Ho, Lawrence Yau Lung (Chairman), Mr. Tsui Che Yin, Frank and Mr. Chung Yuk Man, Clarence and the Chief Financial Officer/Group Finance Director (non-voting capacity). The Finance Committee holds meetings from time to time to discuss financial matters of the Company's new and existing business. It conducts review on matters such as Group wide financial, accounting, treasury and risk management policies, major financing transactions, corporate plans and budgets; and reviews major acquisitions and investments and their funding requirements.

(6) Regulatory Compliance Committee

The Regulatory Compliance Committee is made up of the Company's Executive Directors, namely, Mr. Ho, Lawrence Yau Lung (Chairman) and Mr. Tsui Che Yin, Frank; an Independent Non-executive Director, namely, Dr. Lo Ka Shui, and the Group Legal Counsel and Company Secretary (non-voting capacity). The Regulatory Compliance Committee holds meetings from time to time to discuss the ongoing compliance matters of the Group. It reviews and advises upon matters in respect of the present or future regulation of the Company's gaming and financial services businesses; and complies with applicable laws and regulations, including the Listing Rules.

(7) Corporate Social Responsibility Committee

For enhancing the social responsibilities practice of the Group and to generate growth and well-being of a new generation in the countries in which the Group invests, the Board established a new committee, Corporate Social Responsibility Committee, in January 2008. The Corporate Social Responsibility Committee is made up of the Company's Independent Non-executive Director and Executive Directors, namely, Sir Roger Lobo (Chairman), Mr. Ho, Lawrence Yau Lung, Mr. Tsui Che Yin, Frank and Mr. Chung Yuk Man, Clarence and the Head of the Corporate Communications Department (non-voting capacity). It formulates the corporate social responsibility strategies and policies of the Group and oversees the development and implementation of the Group's corporate social responsibility matters including policies, practices, Melco Volunteer team and other charitable activities along the defined pillars of Green Environment, Youth Development and Education.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for preparing the financial statements and the reporting responsibilities of the external auditors are set out on page 73 of this annual report.

INTERNAL CONTROL

The Group upholds the highest standards of integrity and credibility to earn respect and trust from our clients.

The Board acknowledges its overall responsibility for the establishment and maintenance of a sound system of internal control and risk management to safeguard the shareholders' investment and the Group's assets.

To fulfill its responsibility, the Board's Executive Committee is assigned to oversee the implementation of the Group's internal control and risk management policies and to monitor the business and operations of all of the business units of the Group. The Board also assigned the Audit Committee to review and supervise the financial reporting process and internal control procedures of the Group.

Management Supervision

The Executive Committee and management have defined the organizational structure of the Group and its business units with clear lines of reporting and authorities and have recruited competent personnel to facilitate the establishment of an internal control system and the flow of necessary information.

The Executive Committee has endorsed the Risk Management Policy for the Group and its business units to provide a risk assessment framework to identify and evaluate the material business risk, operational risk, financial risk and compliance risk. The Committee also endorses other policies, procedures, codes and guidelines to mitigate significant inherent risks embedded in the operational activities. The "Code of Business Conduct and Ethics" is communicated to all employees with the aim of cultivating a high integrity and ethical values within the Group.

The Executive Committee conducts monthly meetings with the management team of business units to review business plan and strategies; business performance against budgets; key operations statistics and internal control issues.

Group Internal Audit Function

The Group has an Internal Audit Department which reports directly to the Audit Committee. The annual internal audit plan is approved in the Audit Committee meeting. The department conducts risk assessment and independent reviews of the group business operations; reports significant internal control and risk management issues; and monitors the resolution status.

The Internal Audit Department reviews and assesses the adequacy and effectiveness of the Group's system of internal control by adopting a risk-based audit approach developed based on the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") as recommended by the Hong Kong Institute of Certified Public Accountants.

The Internal Audit Department adopts the following five components of the integrated framework to conduct the review assessment:

Extracted from the Internal Control – Integrated Framework, COSO

(i) Control Environment

Control environment sets the tone of organization, influencing control consciousness of its people. Control environment is the foundation for other components of the internal control, providing discipline and structure. Factors of control environment include ethical values, competence of personnel and direction provided by the Board.

(2) Risk Assessment

Risk assessment involves the identification and analysis of relevant risks to the achievement of the objectives, including risks relating to the changing economic, industry, regulatory and operating conditions, as a basis for determining how such risks should be mitigated and managed.

(3) Control Activities

Control activities are the policies and procedures that help ensure management directives are carried out and actions are taken to address risks affecting achievement of objectives.

(4) Information and Communication

Information and communication comprises effective processes and systems to identify, capture and communicate operational, financial and compliance-related information in a form and timeframe that enable the staff to carry out their responsibilities.

(5) Monitoring

Monitoring is a process that assesses the adequacy and quality of the internal control system's performance over time. This is accomplished through ongoing monitoring activities, separate evaluation or a combination of two. Deficiencies in internal controls should be reported to senior management, the Audit Committee, or the Board.

Audit Committee Supervision

The Audit Committee conducts regular meetings with the Group Finance Director, the Group Internal Audit Director and the external auditors to review the financial statements and auditors' reports on financial and internal control matters. The Audit Committee reports to the Board on significant internal control matters, suspected frauds or irregularities, alleged infringement of laws, rules and regulations, which come to their attention.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's system of internal control for the year ended 31 December 2009 covering all material financial, operational and compliance controls and risk management functions, and considers that the system of internal control is adequate and effective. The Audit Committee has also assessed the adequacy of resources, qualifications, experience, training programmes and budget of staff of the Group's accounting and financial reporting function and considers that they are adequate.

AUDITOR'S REMUNERATION

For the year ended 31 December 2009, the Company paid to its auditor, Deloitte Touche Tohmatsu, approximately HK$2.5 million for audit and non-audit services provided to the Company. Out of this amount, HK$1.6 million was for audit services and the balance of HK$0.9 million was for non-audit services (such as interim review of the Group's financial statements, agreed-upon procedures for the Company's final results announcement and tax services).

COMMUNICATION WITH SHAREHOLDERS

The Company regards the annual general meeting of the Company ("AGM") an important event as it provides an opportunity for the Board to communicate with the shareholders. Notice of AGM and related papers are sent to the shareholders at least 20 clear business days before the meeting. The Company supports the Corporate Governance Code's principle to encourage shareholders' participation. Questioning by the shareholders at the AGM is encouraged and welcomed.

The Company Secretarial Department and the Corporate Communications Department of the Company respond to letters, emails and telephone enquiries from shareholders/investors. Shareholders and investors are welcome to raise enquiries through our email contact *info@melco-group.com* or by mail to our Group Legal Counsel and Company Secretary at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong. The website of the Company at *http://www.melco-group.com* also provides a medium to make information of the Company and the Group available to the shareholders with a section on "Corporate Governance" included.

SHAREHOLDERS' RIGHTS

Pursuant to Article 66 of the Articles of Association of the Company, the Board may, whenever it thinks fit, convene an extraordinary general meeting, and extraordinary general meetings shall also be convened on requisition, as provided by the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the "Companies Ordinance"). In accordance with Section 113 of the Companies Ordinance, members holding at the date of the deposit of the requisition not less than one-twentieth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company can request the Company to convene an extraordinary general meeting. The requisition must state the objects of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong. To facilitate enforcement of shareholders' rights, substantially separate issues at general meetings are dealt with under separate resolutions.

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 57 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on pages 75 to 76 of this annual report.

No interim dividend was paid to the shareholders during the year (2008: Nil). The directors do not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: Nil).

FIXED ASSETS

Details of movements in the investment properties and property, plant and equipment during the year are set out in notes 22 and 23 respectively to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company during the year are set out in notes 47 and 49 respectively to the financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 163 of this annual report. This summary does not form part of the audited financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2009, the Company's reserves available for distribution consisted of capital reserve of approximately HK$271,463,000 (2008: HK$271,463,000). In addition, the Company's share premium account, in the amount of approximately HK$3,132,743,000 (2008: HK$3,131,442,000), may be distributed in the form of fully paid bonus shares. Save as disclosed above, the Company had no reserve available for distribution in accordance with the provisions of section 79B of the Hong Kong Companies Ordinance.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers accounted for approximately 72% of the Group's total turnover for the year (2008: 61%) and the largest customer accounted for approximately 58% of the Group's turnover for the year (2008: 39%). The five largest suppliers accounted for approximately 21% of the Group's total purchases for the year (2008: 36%) and the largest supplier accounted for approximately 7% of the total purchases for the year (2008: 13%).

MAJOR CUSTOMERS AND SUPPLIERS – continued

At 31 December 2008, Mr. Ho, Lawrence Yau Lung, Mr. Tsui Che Yin, Frank and Mr. Chung Yuk Man, Clarence had interests in the form of shares/share options/restricted shares in Melco Crown Entertainment Limited ("Melco Crown Entertainment") and/or Elixir Gaming Technologies, Inc. ("EGT"), (EGT and Melco Crown Entertainment are two of the five largest customers and EGT is one of the five largest suppliers), details of which are set out in the section "Directors' Interests in Shares, Underlying Shares and Debentures". All transactions between the Group and the customers and suppliers concerned were carried out on normal commercial terms.

At 31 December 2009, Mr. Ho, Lawrence Yau Lung, Mr. Tsui Che Yin, Frank and Mr. Chung Yuk Man, Clarence had interests in the form of shares/share options/restricted shares in Melco Crown Entertainment (Melco Crown Entertainment is one of the five largest customers), details of which are set out in the section "Directors' Interests in Shares, Underlying Shares and Debentures". At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers. All transactions between the Group and the customers and suppliers concerned were carried out on normal commercial terms.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

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

Non-executive Director:
Mr. Ng Ching Wo

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

Pursuant to Article 103(A) of the Company's Articles of Association, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office. The Directors to retire in every year shall be those who have been longest in office since their last election. In addition, pursuant to code provision A.4.2 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), every Director should be subject to retirement by rotation at least once every three years. In accordance with these provisions, Mr. Chung Yuk Man, Clarence, Dr. Lo Ka Shui and Mr. Sham Sui Leung, Daniel shall retire by rotation at the forthcoming annual general meeting ("AGM"'). Due to other business engagements which require more of his attention, Dr. Lo Ka Shui does not seek for re-election as an Independent Non-executive Director of the Company. Mr. Chung Yuk Man, Clarance and Mr. Sham Sui Leung, Daniel, being eligible, offer themselves for re-election at the AGM.

The Company has received annual confirmation from each of the Independent Non-executive Directors concerning their independence to the Company and considers that each of the Independent Non-executive Directors is independent to the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors and senior management are set out on pages 36 to 39 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Ho, Lawrence Yau Lung, Mr. Tsui Che Yin, Frank and Mr. Chung Yuk Man, Clarence has a service contract with Melco Services Limited, a wholly-owned subsidiary of the Company, which may be terminated by either party by written notice of not less than three months.

Save as disclosed above, none of the directors has a service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 55 to the consolidated financial statements, no contracts of significance in relation to the Group's business to which the Company, or any of its holding companies, subsidiaries, or fellow subsidiaries, 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 year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 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 of Hong Kong Limited (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 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	33.43%	2
	Beneficial owner	Personal	7,793,951	0.63%	–
Mr. Tsui Che Yin, Frank	Beneficial owner	Personal	103,104	0.01%	–
Mr. Chung Yuk Man, Clarence	Beneficial owner	Personal	80,884	0.01%	–
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%	–

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES – continued

(I) Long positions in the shares and underlying shares of the Company – continued

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

	Number of share options							
Name of Director	Outstanding at 1 January 2009	Granted during the year	Exercised during the year	Outstanding at 31 December 2009	Approximate % of issued share capital	Date of grant	Exercisable period	Exercise price HK$
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%			

(I) Long positions in the shares and underlying shares of the Company – continued

(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 1 January 2009	Granted during the year	Exercised during the year	Outstanding at 31 December 2009	Approximate % of issued share capital	Date of grant	Exercisable period	Exercise price HK$
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%			
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
	351,000	91,000	–	442,000	0.03%			

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES – continued

(I) Long positions in the shares and underlying shares of the Company – continued

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

	Number of share options							
Name of Director	Outstanding at 1 January 2009	Granted during the year	Exercised during the year	Outstanding at 31 December 2009	Approximate % of issued share capital	Date of grant	Exercisable period	Exercise price HK$
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
	51,000	91,000	–	142,000	0.00%			
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%			
Total	4,648,520	914,000	–	5,562,520	0.47%			

(I) Long positions in the shares and underlying shares of the Company – continued

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

	Number of awarded shares						
Name of Director	Outstanding at 1 January 2009	Awarded during the year	Vested during the year	Outstanding at 31 December 2009	Approximate % of issued share capital	Date of award	Vesting date
Mr. Ho, Lawrence Yau Lung	87,325	–	(87,325)	–	–	01.04.2008	01.04.2009
	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)	–	–	17.12.2008	01.08.2009
	96,666	–	(96,666)	–	–	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	(473,989)	318,661	0.026%		
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)	–	–	17.12.2008	01.08.2009
	14,666	–	(14,666)	–	–	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	(80,884)	78,556	0.007%		
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)	–	–	17.12.2008	01.08.2009
	14,666	–	(14,666)	–	–	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	(80,884)	78,556	0.007%		

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES – continued

(I) Long positions in the shares and underlying shares of the Company – continued

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

	Number of awarded shares						
Name of Director	Outstanding at 1 January 2009	Awarded during the year	Vested during the year	Outstanding at 31 December 2009	Approximate % of issued share capital	Date of award	Vesting date
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%		
Mr. Sham Sui Leung, Daniel	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%		
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
	42,000	15,000	(19,000)	38,000	0.001%		
Total	1,187,530	152,000	(711,757)	627,773	0.044%		

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES – continued

(I) Long positions in the shares and underlying shares of the Company – continued

(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	9.58%	3

Notes:

1. As at 31 December 2009, the total number of issued shares of the Company was 1,230,258,939.

2. The 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 23.45% 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.

3. 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 (the "Convertible Loan Notes") were issued to Great Respect Limited on 5 September 2005 on the terms set out in the agreement. Upon exercise in full of the 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 at the extraordinary general meeting held on 10 August 2005 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 "Takeover Code") on conversion of the Convertible Loan Notes. Hence, no offer under Rule 26 of the Takeovers Code will be made on full conversion.

   At the extraordinary general meeting held on 8 February 2010, the shareholders of the Company have approved (1) the amendments to the terms of the Convertible Loan Notes (the "Amended Convertible Loan Notes") pursuant to the deed of amendment dated 16 December 2009 entered into between the Company and Great Respect Limited and (2) a new whitewash waiver waiving the obligation of Great Respect and Mr. Ho, Lawrence Yau Lung to make a mandatory general offer for the shares of the Company as a result of any and future exercise of the conversion rights under the Amended Convertible Loan Notes in full pursuant to the provisions of Rule 26 of the Takeovers Code. Hence, no offer under Rule 26 of the Takeovers Code will be made on full conversion. Upon exercise in full of the Amended Convertible Loan Notes, a total of 298,982,188 shares, representing 19.55% of the enlarged issued share capital of the Company, will be issued by the Company.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES – continued

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

(A) 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	544,496,156	34.12%	2
	Beneficial owner	2,373,480	0.15%	–
Mr. Tsui Che Yin, Frank	Beneficial owner	11,850	0.00%	–
Mr. Chung Yuk Man, Clarence	Beneficial owner	31,600	0.00%	–

(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	124,584	0.01%	3
	Beneficial owner	483,129	0.03%	4
Mr. Chung Yuk Man, Clarence	Beneficial owner	6,228	0.00%	3
	Beneficial owner	23,007	0.00%	4

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES – continued

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

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

(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	2,898,774	0.20%	6
	Beneficial owner	755,058	0.05%	7
Mr. Chung Yuk Man, Clarence	Beneficial owner	56,628	0.00%	5
	Beneficial owner	138,036	0.01%	6

Notes:

1. As at 31 December 2009, the total number of issued shares of Melco Crown Entertainment was 1,595,617,550.

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

3. The personal interests of these directors represent their interests in Melco Crown Entertainment comprising the restricted shares which were granted to them by Melco Crown Entertainment on 18 March 2008 pursuant to the restricted shares award agreement under the Share Incentive Plan adopted by Melco Crown Entertainment in 2006.

   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.

4. The personal interests of these directors represent their interests in Melco Crown Entertainment comprising the restricted shares which were granted to them by Melco Crown Entertainment on 17 March 2009 pursuant to the restricted shares award agreement under the Share Incentive Plan adopted by Melco Crown Entertainment in 2006.

   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.*

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES – continued

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

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

(c) Stock Options granted by Melco Crown Entertainment – continued

Notes: – continued

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

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

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

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

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

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

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

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES – continued

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

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

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

Name of Director	Capacity	Number of common shares of MCR held	Approximate % of issued common shares of MCR	Note
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

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

(c) Warrants issued by MCR

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

(d) Stock Options granted by MCR

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

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES – continued

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

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

(d) Stock Options granted by MCR – continued

Notes:

1. As at 31 December 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.

2. 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 34.07% of the issued share capital of the Company which in turn holds approximately 49.30% of the issued common shares of MCR and 100% of the issued Class B non-voting shares of MCR.

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

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

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

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

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

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

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES – continued

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

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

(b) Warrants issued by EGT

Name of Director	Capacity	Number of underlying shares of EGT held	Approximate % of issued share capital of EGT	Notes
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%	10

Notes:

1. As at 31 December 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 34.07% of the issued share capital of the Company which in turn holds approximately 39.84% of the issued share capital of EGT.

3. The 10,000,000 underlying shares relate to 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.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES – continued

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

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

(c) Stock options granted by EGT – continued

Notes: – continued

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 Che Yin, Frank, 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 Yuk Man, Clarence, 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. The 30,000 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. The 100,000 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. The 2,000,000 stock options may be exercised during the period from 29 December 2009 to 29 December 2013.

8. 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 2009 at an exercise price of US$0.13 per EGT's share. The 50,000 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. The 100,000 stock options may be exercised during the period from 12 June 2009 to 11 December 2018.

10. 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 12 February 2009 at an exercise price of US$0.13 per EGT's share. The 50,000 stock options may be exercised during the period from 13 August 2009 to 12 February 2019.

Save as disclosed above, as at 31 December, 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2009, none of the directors of the Company or their respective associates have any competing interests in any business, which competes or may compete, either directly or indirectly with the businesses of the Company pursuant to the Listing Rules.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 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:

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

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

(II) Convertible loan notes issued by the Company

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

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY – continued

(II) Convertible loan notes issued by the Company – continued

Notes:

1. As at 31 December 2009, the total number of issued shares of the Company was 1,230,258,939.

2. 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.

3. The 411,335,630 shares relate to 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 in the capital of the Company, representing approximately 9.39%, 23.45% 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, companies and/or trusts associated with Mr. Ho, Lawrence Yau Lung.

4. Ms. Lo Sau Yan, Sharen is the spouse of Mr. Ho, Lawrence Yau Lung and is deemed to be interested in the shares 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 (the "Convertible Loan Notes") were issued to Great Respect Limited on 5 September 2005 on the terms set out in the agreement. Upon exercise in full of the 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 at the extraordinary general meeting held on 10 August 2005 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 "Takeover Code") on conversion of the Convertible Loan Notes. Hence, no offer under Rule 26 of the Takeovers Code will be made on full conversion.

   At the extraordinary general meeting held on 8 February 2010, the shareholders of the Company have approved (1) the amendments to the terms of the Convertible Loan Notes (the "Amended Convertible Loan Notes") pursuant to the deed of amendment dated 16 December 2009 entered into between the Company and Great Respect Limited and (2) a new whitewash waiver waiving the obligation of Great Respect and Mr. Ho, Lawrence Yau Lung to make a mandatory general offer for the shares of the Company as a result of any and future exercise of the conversion rights under the Amended Convertible Loan Notes in full pursuant to the provisions of Rule 26 of the Takeovers Code. Hence, no offer under Rule 26 of the Takeovers Code will be made on full conversion. Upon exercise in full of the Amended Convertible Loan Notes, a total of 298,982,188 shares, representing 19.55% of the enlarged issued share capital of the Company, will be issued by the Company.

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 31 December 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as for the share option scheme and the share award schemes disclosed in note 49 to the consolidated financial statements and the convertible loan notes disclosed in note 44 to the consolidated financial statements, at no time during the year was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Group has entered into the following connected transactions and continuing connected transactions which are required to be disclosed in accordance with Chapter 14A of the Listing Rules:

(I) Continuing Connected Transactions

(a) Transactions between Elixir and Firich

On 5 March 2008, Elixir International Limited ("Elixir"), an indirect wholly-owned subsidiary of the Company, has entered into a design and development agreement (the "Design and Development Agreement") with Firich Enterprise Co., Ltd. ("Firich"), pursuant to which (a) Elixir and Firich have agreed to complete and perfect the conceptual design and development of a next generation slot machine initialed by Elixir on a joint effort basis; (b) subject to completion of the said design and development, the engagement of Firich by Elixir for the manufacturing of a trial lot of 120 units of the slot machine; and (c) the granting of a non-exclusive license for a term of 3 years from the date of the Design and Development Agreement by Elixir to Firich (and its subsidiaries and associates) enabling the latter to modify, manufacture and/or sell the slot machine to its customers in the lottery business sector. It is set out in the Design and Development Agreement that the total amount payable by Elixir for the design and development effort and expenses incurred by Firich will not exceed HK$4,000,000 and the amount for the manufacturing of the trial lot will not exceed US$720,000 (equivalent to approximately HK$5,616,000). It is also contemplated by the parties that the aggregate royalties payable by Firich to Elixir for the non-exclusive license on an annual basis will not exceed HK$10,000,000.

Firich, being a substantial shareholder of Power Way Group Limited, a company which is owned as to approximately 58.70% by the Group, 28.87% by Firich, and 12.43% by another company, is a connected person of the Company for the purpose of the Listing Rules. As a result, the design and development part and the manufacturing of the trial lot of the slot machine under the Design and Development Agreement constituted a connected transaction of the Company and the non-exclusive license granted by Elixir to Firich constitutes continuing connected transactions under Rule 14A.16 of the Listing Rules. The Company published an announcement dated 5 March 2008 disclosing the said connected transaction and continuing connected transactions in accordance with the Listing Rules.

Pursuant to the Design and Development Agreement, it was agreed that an annual cap for the total royalties to be payable by Firich to Elixir in relation to the non-exclusive license will not exceed HK$10,000,000 for each of the years ended/ending 31 December 2008, 31 December 2009 and 31 December 2010. For the year ended 31 December 2009, no transaction has taken place between Firich and Elixir under the Design and Development Agreement.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS – continued

(I) Continuing Connected Transactions – continued

(b) Transactions between Elixir and SJM (the "SJM Transactions")

On 14 November 2008, Elixir has entered into a service arrangement on a conditional basis with Sociedade de Jogos de Macau, S.A. ("SJM"), pursuant to which Elixir and SJM confirmed the agreed terms for the provision of services comprising system integration services and maintenance services by Elixir to SJM and/or its subsidiaries for an aggregate value of approximately HK$42.68 million and approximately HK$16.45 million respectively (the "Service Arrangement").

In order to enhance the efficiency of both Elixir and the Group by saving extra administrative and compliance works, on 24 November 2008, Elixir has also entered into a master agreement (the "Master Agreement") with SJM for the provision of the system integration services and maintenance services to SJM and/or its subsidiaries for a period of three years from 1 January 2009 to 31 December 2011. As disclosed in the announcement of the Company dated 24 November 2008, the expected annual caps for the provision of system integration services and maintenance services pursuant to the Master Agreement for each of the financial years ending 31 December 2009, 31 December 2010 and 31 December 2011 are HK$75 million and HK$25 million respectively.

Dr. Ho Hung Sun, Stanley ("Dr. Stanley Ho") is currently a director of certain subsidiaries of the Company and hence is regarded as a connected person of the Company for the purposes of connected transactions under the Listing Rules. SJM is a connected person of the Company for the purposes of the Listing Rules by virtue of the fact that Dr. Stanley Ho has an equity interest in Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") of approximately 31.66% and STDM, through an intermediary subsidiary, holds an approximate 60% equity interest in SJM. As a result, the Service Arrangement constituted connected transactions of the Company and the transactions as contemplated under the Master Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Service Arrangement and the Master Agreement and all transactions contemplated thereunder have been approved by the independent shareholders of the Company at the extraordinary general meeting held on 22 December 2008. Details of the Service Arrangement and Master Agreement were disclosed in the Company's announcements dated 14 November and 24 November 2008 respectively and circular dated 4 December 2008.

The aggregate value of each category of transactions between Elixir and SJM which took place during the financial year ended 31 December 2009 is within the annual cap (which has been disclosed in the Company's announcement dated 24 November 2008), details of which are shown below:

Category	**Approximate aggregate value for the financial year ended 31 December 2009** HK$	**Annual cap for the financial year ended 31 December 2009** HK$
Provision of system integration services by Elixir to SJM and/or its subsidiaries	39,542,000	75,000,000
Provision of maintenance services by Elixir to SJM and/or its subsidiaries	9,543,000	25,000,000

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS – continued

(I) Continuing Connected Transactions – continued

(c) Annual Review of the Continuing Connected Transactions

The Company has engaged the auditor of the Company to conduct a review of the SJM Transactions for the year ended 31 December 2009. The auditor has reported their factual findings to the board of directors (the "Board") of the Company.

The independent non-executive directors of the Company have reviewed the SJM Transactions for the year ended 31 December 2009 and confirmed that the continuing connected transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

(3) in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In addition, the auditor of the Company has confirmed to the Board in writing that the SJM Transactions for the year ended 31 December 2009:

(1) were approved by the Company's Board;

(2) involving the provision of goods and services by the Group, were in accordance with the pricing policies of the Group (for the samples selected);

(3) were entered into in accordance with the relevant agreements governing the SJM Transactions (for the samples selected); and

(4) did not exceed the respective annual cap of the SJM Transactions as disclosed in the Company's announcement dated 24 November 2008.

(II) Connected Transaction

Material Amendments to terms of the HK$1,175 million convertible loan notes due 2010 under Rule 28.05 of the Listing Rules

On 16 December 2009, the Company has entered into a deed of amendment (the "Deed of Amendment") with Great Respect Limited ("Great Respect") to amend certain terms of the HK$1,175 million in principal amount of convertible loan notes (the "CBs") due 2010 issued by the Company to Great Respect. The amendments of the terms of the CBs effected by the Deed of Amendment are summarised below:

(a) Revised maturity date:	To extend the maturity date to eight years from the date of issue of the CBs. The revised maturity date is 4 September 2013.
(b) Revised conversion price:	To reduce the conversion price to HK$3.93 per share to be issued by the Company upon exercise of the conversion rights under the amended CBs.
(c) Early redemption at the option of the Company:	To permit the Company to redeem all or part of the outstanding CBs in the Company's absolute discretion, at any time prior to the maturity date of the CBs, at 100% of their principal amount outstanding.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS – continued

(II) Connected Transaction – continued

Material Amendments to terms of the HK$1,175 million convertible loan notes due 2010 under Rule 28.05 of the Listing Rules – continued

(d) Early redemption at the option of the noteholder (i.e. Great Respect)	To permit the holder of the CBs to require the CBs to be redeemed prior to their maturity in any of the following circumstances: (i) the Lawrence Ho Concert Party (Note 1) ceases to be interested (in aggregate) in at least 30% of the issued shares of the Company, except as a result of disposals of shares by members of the Lawrence Ho Concert Party; (ii) a general offer by way of takeover (other than one proposed by a member of the Lawrence Ho Concert Party or such member's associate or a scheme of arrangement contemplated by (iii) below) is made to all or substantially all the holders of shares in the Company (or all or substantially all such holders other than the offeror and persons acting in concert with the offeror) and such offer becomes or is declared unconditional; or (iii) a privatisation proposal by way of scheme of arrangement (other than one proposed by a member of the Lawrence Ho Concert Party or such member's associate) is made and approved by the necessary numbers of shareholders of the Company at the requisite meetings.

The amendments to the CBs contemplated by the Deed of Amendment constituted a material change to the terms of the original CBs, the issue of which was originally approved as a connected transaction of the Company under the Listing Rules. Accordingly, the amendments under the Deed of Amendment are subject to approval, as a connected transaction of the Company under the Listing Rules, by a resolution of the independent shareholders of the Company.

At the extraordinary general meeting of the Company held on 8 February 2010, all ordinary resolutions in respect of (i) the Deed of Amendment; and (ii) the whitewash waiver (the "Whitewash Waiver") waiving the obligation of Great Respect and Mr. Ho, Lawrence Yau Lung to make a general offer for the shares of the Company as a result of the exercise of the conversion rights under the CBs in full were duly passed by the independent shareholders of the Company. The amendments contemplated by the Deed of Amendment, including the adjustment of the conversion price from HK$9.965 to HK$3.93, became effective on 18 February 2010. Details of the Deed of Amendment and Whitewash Waiver were disclosed in the Company's announcements dated 16 December 2009, 8 February 2010 and 22 February 2010 and circular dated 20 January 2010.

Note 1: Lawrence Ho Concert Party consists of Mr. Ho, Lawrence Yau Lung and certain persons either acting in concert with him or presumed to be acting in concert with him for the purposes of the Takeovers Code, including Better Joy Overseas Limited, Lasting Legend Limited and the L3G Capital Trust (beneficial interests in these companies/trust are owned by persons and/or trusts associated with Mr. Ho, Lawrence Yau Lung); Dr. Stanley Ho (the father of Mr. Ho, Lawrence Yau Lung); Lanceford Company Limited (a company controlled by Dr. Stanley Ho); Madam Lucina Laam King Ying (the mother of Mr. Ho, Lawrence Yau Lung); STDM (an associate of Dr. Stanley Ho); Ms. Ho Daisy Chiu Fung (the sister of Mr. Ho, Lawrence Yau Lung) and Great Respect.

The Directors of the Company and their close relatives, related trusts and companies controlled by such Directors, their close relatives and related trusts (other than Mr. Ho, Lawrence Yau Lung and his close relatives, related trusts and companies controlled by him, his close relatives and related trusts), The Melco Share Purchase Scheme Trust and The Melco Share Award Scheme Trust are also presumed for the purpose of the Takeovers Code to be acting in concert with Mr. Ho, Lawrence Yau Lung in respect of the Company and the Whitewash Waiver.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 56 to the financial statements.

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

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high corporate governance standard so as to ensure better transparency and protection of shareholders' interests. The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2009 except the code provision A.2.1 in respect of the separation of the roles of the Chairman and Chief Executive Officer and A.4.1 in respect of the appointment of non-executive directors for specific terms.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 40 to 48 of this annual report.

EMOLUMENT POLICY

The employees of the Group are selected, remunerated and promoted on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market standards.

The Company has adopted a share option scheme and two share incentive award schemes, as an incentive to directors and employees, details of the schemes are set out in note 49 to the consolidated financial statements.

AUDIT COMMITTEE

The Company has an audit committee which was established for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls.

The audit committee, comprising a non-executive director and two independent non-executive directors, met two times during the financial year. During the meetings, the audit committee reviewed the accounting principles and practices adopted by the Group, the interim and annual reports of the Group and discussed with management the auditing, internal control and financial reporting matters.

REPORT OF THE DIRECTORS

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK$2,196,000 (2008: HK$5,718,000).

AUDITOR

The financial statements of the Company for the year ended 31 December 2009 have been audited by Messrs. Deloitte Touche Tohmatsu, who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Ho, Lawrence Yau Lung
Chairman and Chief Executive Officer

Hong Kong, 30 March 2010

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF MELCO INTERNATIONAL DEVELOPMENT LIMITED
新濠國際發展有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Melco International Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 75 to 162, which comprise the consolidated and Company's statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	8	709,553	690,862
Other income	10	62,158	71,213
Investment income (loss)	11	3,775	(244)
Purchases and changes in inventories of finished goods		(573,525)	(677,532)
Employee benefits expense	12	(125,548)	(169,465)
Depreciation of property, plant and equipment		(14,657)	(21,738)
Loss on disposal of a subsidiary	50	(1,804)	–
Impairment loss recognised in respect of interests in associates	13	–	(1,160,838)
Impairment loss recognised in respect of available-for-sale investments		(2,574)	(147,861)
Impairment loss recognised in respect of amount due from an associate	14	(189,506)	–
Gain on changes in interest in an associate	26	–	54,370
Loss on deemed disposal of interests in associates	26	(157,214)	(5,904)
Gain on disposal of interest in an associate	26	33,516	–
Increase in fair value of investment properties	22	–	14,000
Fair value changes on derivative financial instruments	35	(30)	(227,691)
Fair value change on investment in convertible loan note	29	75,410	(206,428)
Other expenses		(81,127)	(179,605)
Finance costs	15	(99,413)	(107,401)
Share of (loss) profit of a jointly controlled entity	25	(190,227)	109,108
Share of losses of associates	26	(896,601)	(387,175)
Loss before tax	16	(1,447,814)	(2,352,329)
Income tax expense	17	(602)	(885)
Loss for the year		(1,448,416)	(2,353,214)
Other comprehensive income (loss)			
Exchange differences arising on translation of foreign operations		313	(313)
Share of other comprehensive income (loss) of associates		28,028	(82,589)
Share of other comprehensive income of a jointly controlled entity		175,050	–
Loss on fair value change of available-for-sale investments		–	(117,244)
Reclassification adjustment upon impairment of available-for-sale investments		–	147,861
Other comprehensive income (loss) for the year		203,391	(52,285)
Total comprehensive loss for the year		(1,245,025)	(2,405,499)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Loss for the year attributable to:			
Owners of the Company		(1,449,685)	(2,356,819)
Minority interests		1,269	3,605
		(1,448,416)	(2,353,214)
Total comprehensive loss attributable to:			
Owners of the Company		(1,246,294)	(2,409,104)
Minority interests		1,269	3,605
		(1,245,025)	(2,405,499)
Loss per share	21		
Basic (HK cents)		(118.05)	(192.08)
Diluted (HK cents)		(118.05)	(192.09)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Investment properties	22	166,000	166,000
Property, plant and equipment	23	32,524	42,977
Other intangible assets	24	2,000	2,000
Interests in jointly controlled entities	25	–	190,227
Interests in associates	26	6,370,847	7,126,710
Amounts due from associates	36	627,321	800,673
Available-for-sale investments	28	8,829	39,093
Investment in convertible loan note	29	257,739	168,573
Long term receivables	50	4,000	–
Goodwill	30	4,113	8,555
Pledged bank deposits	38	–	972,500
Deferred tax assets	46	–	719
		7,473,373	9,518,027
Current assets			
Inventories	32	6,581	57,652
Trade receivables	33	62,530	55,690
Prepayments, deposits and other receivables		91,512	232,534
Held-for-trading investments	34	300	150
Derivative financial instruments	35	34	64
Amounts due from associates	36	34,827	130,555
Pledged bank deposits	38	7,988	6,738
Bank deposits with original maturity over three months	39	707,024	164,896
Bank balances and cash	39	153,754	239,875
		1,064,550	888,154
Current liabilities			
Trade payables	40	110,313	309,664
Other payables		56,191	124,095
Shareholder's loan	41	–	250,000
Dividend payable		86	133
Taxation payable		721	689
Financial guarantee liability	42	146,188	45,217
Bank borrowings – due within one year	43	166,400	96,400
Convertible loan note – due within one year	44	1,128,227	–
		1,608,126	826,198
Net current (liabilities) assets		(543,576)	61,956
Total assets less current liabilities		6,929,797	9,579,983

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Trade payables – due after one year	40	–	81,678
Financial guarantee liability	42	–	121,808
Bank borrowings – due after one year	43	50,200	216,600
Long term payable	45	170,537	172,496
Convertible loan note – due after one year	44	–	1,061,861
		220,737	1,654,443
		6,709,060	7,925,540
Capital and reserves			
Share capital	47	615,130	614,666
Reserves		6,066,626	7,284,839
Equity attributable to owners of the Company		6,681,756	7,899,505
Minority interests		27,304	26,035
		6,709,060	7,925,540

The consolidated financial statements on pages 75 to 162 were approved and authorised for issue by the Board of Directors on 30 March 2010 and are signed on its behalf by:

Ho, Lawrence Yau Lung
DIRECTOR

Tsui Che Yin, Frank
DIRECTOR

STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Investment in subsidiaries	27	1,088,346	1,040,712
Other intangible assets	24	2,000	2,000
Amounts due from subsidiaries	37	3,521,716	3,382,194
Pledged bank deposits	38	–	972,500
		4,612,062	5,397,406
Current assets			
Prepayments, deposits and other receivables		12,901	14,631
Amounts due from associates	36	19	41,996
Amounts due from subsidiaries	37	80,569	55,327
Bank deposits with original maturity over three months	39	689,198	164,896
Bank balances and cash	39	24,346	116,136
		807,033	392,986
Current liabilities			
Other payables		15,865	7,026
Amounts due to associates	36	584	421
Amounts due to subsidiaries	37	227,973	6,926
Shareholder's loan	41	–	250,000
Dividend payable		86	133
Financial guarantee liability	42	146,188	45,217
Bank borrowings – due within one year	43	150,000	80,000
Convertible loan note – due within one year	44	1,128,227	–
		1,668,923	389,723
Net current (liabilities) assets		(861,890)	3,263
Total assets less current liabilities		3,750,172	5,400,669
Non-current liabilities			
Financial guarantee liability	42	–	121,808
Amount due to a subsidiary	37	40,200	46,600
Bank borrowings – due after one year	43	–	150,000
Convertible loan note – due after one year	44	–	1,061,861
		40,200	1,380,269
		3,709,972	4,020,400
Capital and reserves			
Share capital	47	615,130	614,666
Reserves	48	3,094,842	3,405,734
		3,709,972	4,020,400

Ho, Lawrence Yau Lung
DIRECTOR

Tsui Che Yin, Frank
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

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

	Attributable to the owners of the Company																
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Note 1)	Special reserve HK$'000 (Note 2)	Convertible loan note equity reserve HK$'000	Property revaluation reserve HK$'000	Other revaluation reserve HK$'000	Exchange reserve HK$'000	Legal reserve HK$'000 (Note 3)	Share options reserve HK$'000	Shares held under share award schemes HK$'000	Share awards reserve HK$'000	Other reserve HK$'000 (Note 4)	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2009	614,666	3,131,442	271,463	(69,950)	307,253	5,796	28,948	(8,183)	254	32,638	(21,088)	4,138	(103,794)	3,705,922	7,899,505	26,035	7,925,540
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	313	–	–	–	–	–	–	313	–	313
Share of reserves of associates	–	–	–	–	–	–	–	11,426	–	–	–	–	16,602	–	28,028	–	28,028
Share of fair value gain on available-for-sale investments of a jointly controlled entity (note 25)	–	–	–	–	–	–	175,050	–	–	–	–	–	–	–	175,050	–	175,050
Other comprehensive income for the year	–	–	–	–	–	–	175,050	11,739	–	–	–	–	16,602	–	203,391	–	203,391
Loss for the year	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,449,685)	(1,449,685)	1,269	(1,448,416)
Total comprehensive income (loss) for the year	–	–	–	–	–	–	175,050	11,739	–	–	–	–	16,602	(1,449,685)	(1,246,294)	1,269	(1,245,025)
Exercise of share options	244	740	–	–	–	–	–	–	–	–	–	–	–	–	984	–	984
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	–	–	14,744	–	4,683	–	–	19,427	–	19,427
Transfer to share premium upon exercise of share options	–	561	–	–	–	–	–	–	–	(561)	–	–	–	–	–	–	–
Transfer of share option reserve upon expiry of share options	–	–	–	–	–	–	–	–	–	(244)	–	–	–	244	–	–	–
Shares issued under share award scheme	220	–	–	–	–	–	–	–	–	–	(220)	–	–	–	–	–	–
Shares vested under share award schemes	–	–	–	–	–	–	–	–	–	–	8,057	(4,787)	–	(3,270)	–	–	–
Realisation of special reserve and other revaluation reserve upon deemed disposal of partial interest in an associate	–	–	–	8,134	–	–	(3,367)	–	–	–	–	–	–	3,367	8,134	–	8,134
At 31 December 2009	615,130	3,132,743	271,463	(61,816)	307,253	5,796	200,631	3,556	254	46,577	(13,251)	4,034	(87,192)	2,256,578	6,681,756	27,304	6,709,060

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

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Loss before tax	(1,447,814)	(2,352,329)
Adjustments for:		
Gain on extension of long term payable	(8,010)	(2,517)
(Gain) loss from fair value change of held-for-trading investments	(150)	280
Release of financial guarantee liability	(20,837)	(45,217)
Dividend income	(3,625)	(36)
Depreciation of property, plant and equipment	14,657	21,738
Loss on disposal of a subsidiary	1,804	–
Loss on disposal of available-for-sale investment	1,172	–
Impairment loss recognised in respect of interests in associates	–	1,160,838
Impairment loss recognised in respect of available-for-sale investments	2,574	147,861
Impairment loss recognised in respect of amount due from an associate	189,506	–
Gain on changes in interest in an associate	–	(54,370)
Loss on deemed disposal of interests in associates	157,214	5,904
Gain on disposal of interest in an associate	(33,516)	–
Increase in fair value of investment properties	–	(14,000)
Fair value changes on derivative financial instruments	30	227,691
Fair value change on investment in convertible loan note	(75,410)	206,428
Allowance for doubtful debts	2,020	6,222
Allowance on other receivables	–	19,540
Allowance for inventories	22,363	220,030
Share-based payment expense	19,427	20,636
Loss (gain) on disposal of property, plant and equipment	1,605	(81)
Share of loss (profit) of a jointly controlled entity	190,227	(109,108)
Share of losses of associates	896,601	387,175
Finance costs	99,413	107,401
Operating cash flows before movements in working capital	9,251	(45,914)
Decrease (increase) in inventories	26,743	(240,826)
(Increase) decrease in trade receivables	(14,107)	197,671
Decrease (increase) in prepayments, deposits and other receivables	143,542	(143,512)
Decrease in amounts due from associates	53,165	161,010
(Decrease) increase in trade payables	(271,589)	228,813
(Decrease) increase in other payables	(64,409)	27,615
Net cash (used in) from operations	(117,404)	184,857
Income tax paid	–	(1,114)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(117,404)	183,743

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES			
Decrease (increase) in pledged bank deposits		971,250	(5,791)
Proceeds from disposal of an associate		302,634	–
Proceeds from disposal of available-for-sale investments		26,518	–
Repayment of amounts due from associates		22,603	–
Dividend received		3,625	36
Proceeds from disposal of property, plant and equipment		181	5,460
Increase in bank deposits with original maturity over three months		(542,128)	(164,896)
Capital contribution to a jointly controlled entity		(350,100)	–
Subscription of convertible bond of an associate		(13,756)	–
Cash outflow from disposal of a subsidiary	50	(8,819)	–
Purchase of property, plant and equipment		(7,302)	(19,771)
Subscription of shares of an associate		(965)	–
Advances to associates		–	(128,197)
Investments in associates		–	(98,854)
Subscription of warrants of an associate		–	(4,527)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		403,741	(416,540)
FINANCING ACTIVITIES			
Advance from a shareholder		300,000	–
Repayment to a shareholder		(550,000)	–
Repayments of bank borrowings		(96,400)	(80,000)
Interest paid		(26,995)	(38,068)
Dividend paid		(47)	(12,256)
Proceeds from exercise of share options		984	5,131
Bank borrowings raised		–	313,000
Purchase of shares for unvested shares under the share award schemes		–	(24,000)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(372,458)	163,807
NET DECREASE IN CASH AND CASH EQUIVALENTS		(86,121)	(68,990)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		239,875	308,865
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		153,754	239,875

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

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

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group and the Company finance its capital intensive operations by bank borrowings and convertible loan note. The Group and the Company had net current liabilities of approximately HK$543,576,000 and HK$861,890,000, respectively, as at 31 December 2009, including a convertible loan note of approximately HK$1,128,227,000 which will be matured in 2010. As disclosed in note 56, subsequent to the end of the reporting period, the Company has agreed with the holder of the convertible loan note to amend the terms of the convertible loan note and extend the maturity date from 4 September 2010 to 4 September 2013 with effect from 18 February 2010. In addition, the holder of the convertible loan note has agreed not to exercise the early redemption option, which is granted in accordance to the amendment of the terms of the convertible loan note, until after 31 December 2010 unless the Company has sufficient working capital to redeem whole or part of the convertible loan note.

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

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

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

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) *Presentation of Financial Statements*

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

HKFRS 8 *Operating Segments*

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see note 9) as compared with the primary reportable segments determined in accordance with HKAS 14, except Technology segment is now broken down into "Technology Segment – Elixir" and "Technology Segment – iAsia". The adoption of HKFRS 8 has not changed the basis of measurement of segment profit or loss.

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

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

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

New and revised HKFRSs affecting the accounting policies

HKAS 23 (Revised 2007) *Borrowing Costs*

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. This change in accounting policy has not resulted in restatement of amounts reported in respect of prior accounting periods.

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

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

1 Effective for annual periods beginning on or after 1 July 2009.
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 July 2010.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 January 2013.

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

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

New and revised HKFRSs affecting the accounting policies – continued

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

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The 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 as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of consolidation – continued

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

Business combinations

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

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

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

Goodwill

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

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

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

Investment in subsidiaries

Investment in subsidiaries is included in the Company's statement of financial position at cost, less any identified impairment loss.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Jointly controlled entities

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

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

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

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

Investments in associates

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition

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

Revenue from the provision of catering services and management services are recognised when the services are provided.

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

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

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

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

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

Property, plant and equipment

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

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

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

Investment properties

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasing

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

The Group as lessor

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

The Group as lessee

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

Foreign currencies

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

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

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

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

Retirement benefits costs

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

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation

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

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

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

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

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

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

Inventories

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

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Share-based payment transactions

Equity settled share-based payment transactions

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

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

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

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

Intangible assets

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

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

Financial instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Effective interest method

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

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

Financial assets

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or

- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Loans and receivables

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

Available-for-sale financial assets

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

Impairment of financial assets

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Impairment of financial assets – continued

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

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

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

Financial liabilities and equity

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

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

Effective interest method

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

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

Convertible loan note

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity – continued

Convertible loan note – continued

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

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

Other financial liabilities

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

Equity instruments

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

Derivative financial instruments

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

Embedded derivatives

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

Financial guarantee contracts

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

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Derecognition

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

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

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

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale for which the commencement date for capitalisation is on or after 1 January 2009, if any, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Estimated impairment of trade receivables and amounts due from associates

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

Fair value of investment in convertible loan note and derivatives

As described in notes 29 and 35, the directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For valuation of derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument.

Estimated impairment of interests in associates

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

6. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group and the Company consists of net debt, which includes the shareholder's loan, bank borrowings, convertible loan note and long term payable disclosed in notes 41, 43, 44 and 45, respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

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

7. FINANCIAL INSTRUMENTS

7a. Categories of financial instruments

	THE GROUP	
	2009 HK$'000	2008 HK$'000
Financial assets		
Fair value through profit or loss		
– Held for trading	334	214
– Designated as fair value through profit or loss	257,739	168,573
Loans and receivables (including cash and cash equivalents)	1,623,804	2,399,317
Available-for-sale financial assets	8,829	39,093
Financial liabilities		
Amortised cost	1,636,034	2,290,897
Financial guarantee liability	146,188	167,025

	THE COMPANY	
	2009 HK$'000	2008 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	4,543,708	4,733,049
Financial liabilities		
Amortised cost	1,547,070	1,598,874
Financial guarantee liability	146,188	167,025

7b. Financial risk management objectives and polices

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

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

7. FINANCIAL INSTRUMENTS – continued

7b. Financial risk management objectives and policies – continued

Market risk

(i) Currency risk

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

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

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

	THE GROUP			
	Liabilities		Assets	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
United States dollar ("USD")	(143,771)	(242,220)	716,648	1,295,186
Macau Patacas ("MOP")	(46,060)	(21,933)	35,948	9,278
Renminbi ("RMB")	(58)	–	24,290	–

	THE COMPANY			
	Liabilities		Assets	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
USD	(121,809)	(1,072)	1,342,955	1,322,559
MOP	–	(161)	21	–

Sensitivity analysis

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

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

7. FINANCIAL INSTRUMENTS – continued

7b. Financial risk management objectives and policies – continued

Market risk – continued

(i) Currency risk – continued

Sensitivity analysis – continued

	THE GROUP					
	USD Impact (i)		MOP Impact (ii)		RMB Impact (iii)	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Loss for the year	(5,729)	(10,530)	101	126	(242)	–

	THE COMPANY			
	USD Impact (i)		MOP Impact (ii)	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Loss for the year	(12,211)	(13,215)	–	2

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

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

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

(ii) Interest rate risk

The Group and the Company are exposed to fair value interest rate risk in relation to amounts due from associates, pledged bank deposits, bank deposits with original maturity over three months, bank balances, trade payable by instalments, convertible loan note and long term payable which carried interest at fixed rate (see Notes 36, 38, 39, 40, 44 and 45 for details of these borrowings). The Company and the Group currently do not enter into any hedging instrument for fair value interest rate risk.

The Group and the Company are exposed to cash flow interest rate risk in relation to variable-rate amounts due from associates and subsidiaries, shareholder's loan and bank borrowings (see Notes 36, 37, 41 and 43 for details of these borrowings). It is the Group's and Company's policy to keep its receivables and borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

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

7. FINANCIAL INSTRUMENTS – continued

7b. Financial risk management objectives and policies – continued

Market risk – continued

(ii) Interest rate risk – continued

Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2009 would decrease/increase by approximately HK$2,335,000 and (2008: HK$756,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate amounts due from associates, bank borrowings and shareholder's loan.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's loss for the year ended 31 December 2009 would decrease/increase by approximately HK$16,868,000 (2008: HK$14,720,000). This is mainly attributable to the Company's exposure to interest rates on its variable-rate amounts due from subsidiaries, bank borrowings and shareholder's loan.

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

The Company's sensitivity to interest rates for current year is similar to last year.

(iii) Other price risk

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

Sensitivity analysis

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

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

- post-tax loss for the year ended 31 December 2009 would decrease/increase by HK$7,874,000 (2008: HK$10,384,000) as a result of the changes in fair value of investment in convertible loan note and available-for-sale investments; and

7. FINANCIAL INSTRUMENTS – continued

7b. Financial risk management objectives and policies – continued

Market risk – continued

(iii) Other price risk – continued

Sensitivity analysis – continued

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

The Group's sensitivity to equity price risk has decreased as a result of the decrease in discount rate of investment in convertible loan note.

Credit risk

As at 31 December 2009, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company and the Group is arising from

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

- the amount of contingent liabilities and financial guarantee liability in relation to guarantee issued by the Company and the Group as disclosed in notes 53 and 42, respectively.

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

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

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

The Company's significant concentration of credit risk is mainly on the amounts due from subsidiaries and the Company considers the credit risk is minimal after considering the financial position of these subsidiaries.

The Group and the Company also expose to concentration of credit risk in respect of the Exchangeable Bonds of HK$1,950 million (US$250 million) issued by a jointly controlled entity (note 42), which are jointly and severally guaranteed by the Company and another shareholder of the jointly controlled entity. As at 31 December 2009, the Group and the Company recognised a financial guarantee liability of approximately HK$146,188,000 as disclosed in note 42.

7. FINANCIAL INSTRUMENTS – continued

7b. Financial risk management objectives and policies – continued

Liquidity risk

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

The Group and the Company relies on bank borrowings as a significant source of liquidity. Details of which are set out in note 43. As at 31 December 2009, the Company and the Group has available bank loan facilities of HK$216,600,000 (2008: HK$313,000,000).

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

Liquidity and interest risk tables

THE GROUP

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

7. FINANCIAL INSTRUMENTS – continued

7b. Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity and interest risk tables – continued

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

The COMPANY

	Weighted average interest rate	**Less than 1 month** HK$'000	**1-3 months** HK$'000	**3 months to 1 year** HK$'000	**1-2 years** HK$'000	**2-5 years** HK$'000	**Total undiscounted cash flows** HK$'000	**Carrying amount at 31.12.2009** HK$'000
2009								
Non-derivative financial liabilities								
Amounts due to associates	–	584	–	–	–	–	584	584
Amounts due to subsidiaries	2.1%	221,573	3,441	3,869	40,782	–	269,665	268,173
Dividend payable	–	86	–	–	–	–	86	86
Bank borrowings	1.3%	–	479	150,096	–	–	150,575	150,000
Convertible loan note	6.3%	–	–	1,175,000	–	–	1,175,000	1,128,227
Financial guarantee liability	–	–	–	146,188	–	–	146,188	146,188
		222,243	3,920	1,475,153	40,782	–	1,742,098	1,693,258

7. FINANCIAL INSTRUMENTS – continued

7b. Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity and interest risk tables – continued

	Weighted average interest rate	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2008 HK$'000
2008								
Non-derivative financial liabilities								
Other payables	–	2,933	–	–	–	–	2,933	2,933
Amounts due to associates	–	421	–	–	–	–	421	421
Amounts due to subsidiaries	2.3%	526	3,511	4,073	48,291	–	56,401	53,526
Dividend payable	–	133	–	–	–	–	133	133
Shareholder's loan	8.3%	–	253,724	–	–	–	253,724	250,000
Bank borrowings	2.1%	80,060	562	1,717	150,481	–	232,820	230,000
Convertible loan note	6.3%	–	–	–	1,175,000	–	1,175,000	1,061,861
Financial guarantee liability	–	–	–	45,217	45,217	76,591	167,025	167,025
		84,073	257,797	51,007	1,418,989	76,591	1,888,457	1,765,899

The amounts included above for financial guarantee contracts in relation to a jointly controlled entity are the maximum amounts the Group and the Company could be required to settle under the arrangement for the full guaranteed amount, if that amount is claimed by the counterparty to the guarantee through exercising of a put option to require a redemption of the full aggregate principal amount of the Exchangeable bonds as disclosed in note 42.

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

7c. Fair value

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

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

7. FINANCIAL INSTRUMENTS – continued

7c. Fair value – continued

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

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

Fair value measurements recognised in the statement of financial position

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

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

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

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

	31/12/2009			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL				
Derivative financial assets	34	–	–	34
Non-derivative financial assets held for trading	300	–	–	300
Investment in convertible loan note	–	–	257,739	257,739
Available-for-sale financial asset				
Unlisted equity security	–	–	8,829	8,829
	334	–	266,568	266,902

There were no transfers between Level 1 and 2 in the current year.

7. FINANCIAL INSTRUMENTS – continued

7c. Fair value – continued

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted equity security HK$'000	Investment in convertible loan note HK$'000
At 1 January 2009	11,403	168,573
Impairment loss recognised in respect of available-for-sale investments	(2,574)	–
Addition	–	13,756
Fair value change on investment in convertible loan note	–	75,410
At 31 December 2009	8,829	257,739

8. REVENUE

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

	2009 HK$'000	2008 HK$'000
Implementation of technology solution systems	548,110	247,173
Sales of electronic gaming machines	32,545	265,659
Catering service income	87,549	103,260
Interest income from authorised institutions and associates	35,800	68,129
Property rental income	5,549	5,441
Management fee income	–	1,200
	709,553	690,862

9. SEGMENTS INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, except Technology segment reported under HKAS 14 is now broken down into "Technology Segment – Elixir" and "Technology Segment – iAsia". The adoption of HKFRS 8 has not changed the basis of measurement of segment profit or loss.

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

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

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

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

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

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

9. SEGMENTS INFORMATION – continued

Segment revenue and results

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

2009

	Leisure, Gaming and Entertainment	Technology Elixir	Technology iAsia	Property and Other Investments	Elimination	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
External sales	87,549	560,411	20,244	41,349	–	709,553
Inter-segment sales	1,251	9	5	5,544	(6,809)	–
Total revenue	88,800	560,420	20,249	46,893	(6,809)	709,553
Segment result	(762)	5,039	3,972	43,493	–	51,742
Loss on disposal of a subsidiary						(1,804)
Loss on deemed disposal of interests in associates						(157,214)
Gain on disposal of interest in an associate						33,516
Impairment loss recognised in respect of available-for-sale investments						(2,574)
Impairment loss recognised in respect of amount due from an associate						(189,506)
Fair value changes on derivative financial instruments						(30)
Fair value change on investment in convertible loan note						75,410
Finance costs						(99,413)
Share of loss of a jointly controlled entity						(190,227)
Share of losses of associates						(896,601)
Unallocated corporate income						28,848
Central administrative costs and other unallocated corporate expenses						(99,961)
Loss before tax						(1,447,814)

9. SEGMENTS INFORMATION – continued

Segment revenue and results – continued

2008

	Leisure, Gaming and Entertainment HK$'000	Technology Elixir HK$'000	Technology iAsia HK$'000	Property and Other Investments HK$'000	Elimination HK$'000	Consolidated HK$'000
External sales	103,260	457,386	55,446	74,770	–	690,862
Inter-segment sales	1,342	19	170	1,811	(3,342)	–
Total revenue	104,602	457,405	55,616	76,581	(3,342)	690,862
Segment result	2,879	(258,188)	6,319	88,065	(7)	(160,932)
Impairment loss recognised in respect of interests in associates						(1,160,838)
Impairment loss recognised in respect of available-for-sale investments						(147,861)
Gain on changes in interest in an associate						54,370
Loss on deemed disposal of interests in associates						(5,904)
Fair value changes on derivative financial instruments						(227,691)
Fair value change on investment in convertible loan note						(206,428)
Finance costs						(107,401)
Share of profit of a jointly controlled entity						109,108
Share of losses of associates						(387,175)
Unallocated corporate income						47,734
Central administrative costs and other unallocated corporate expenses						(159,311)
Loss before tax						(2,352,329)

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 4. Segment result represents the profit earned or loss incurred by each segment without allocation of central administration costs and other unallocated corporate expenses, unallocated corporate income and items as disclosed in the above table which are non-operating in nature. This is the measure reported to Group's Chief Executive Officer for the purposes of resource allocation and performance assessment.

9. SEGMENTS INFORMATION – continued

Segment assets and liabilities

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

Segment assets

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

Segment liabilities

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

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

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

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

9. SEGMENTS INFORMATION – continued

Other segment information

2009

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

9. SEGMENTS INFORMATION – continued

Other segment information – continued

2008

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

Geographical information

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

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

Revenue analysed by products and services

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

Information about major customers

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

10. OTHER INCOME

	2009 HK$'000	2008 HK$'000
Service fees from associates	11,634	19,768
Release of financial guarantee liability, net	20,837	45,217
Gain on extension of long term payable	8,010	2,517
Others	21,677	3,711
	62,158	71,213

11. INVESTMENT INCOME (LOSS)

	2009 HK$'000	2008 HK$'000
Gain (loss) from fair value change of held-for-trading investments	150	(280)
Dividend income from unlisted investments	1,697	36
Dividend income from listed investments	1,928	–
	3,775	(244)

12. EMPLOYEE BENEFITS EXPENSE

	2009 HK$'000	2008 HK$'000
Wages, salaries and staff welfare	98,446	125,575
Discretionary bonus	3,373	14,414
Sales commission	337	564
(Reversal of) unutilised annual leave	(160)	621
Termination benefits	344	1,460
Social security costs	38	26
Provision for long service payment	922	1,882
Retirement benefit scheme contributions	2,579	2,988
Share-based payment employee expense	19,427	20,636
Others	242	1,299
Total employee benefits expense including directors' emoluments	125,548	169,465

13. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF INTERESTS IN ASSOCIATES

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

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

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

15. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	3,410	8,104
Shareholder's loan	19,067	22,682
Effective interest expense on convertible loan note	66,366	62,462
Imputed interest expense on long term payable	6,051	6,871
Interest expenses to suppliers and others	4,519	7,282
	99,413	107,401

16. LOSS BEFORE TAX

	2009 HK$'000	2008 HK$'000
Loss before tax has been arrived at after charging:		
Auditor's remuneration	1,651	1,845
Allowance for doubtful debts	2,020	6,222
Allowance on other receivables (note a)	–	19,540
Allowance for inventories (note b)	22,363	220,030
Loss on disposal of property, plant and equipment	1,605	–
Loss on disposal of available-for-sale investment	1,172	–
and after crediting:		
Gross rental income	5,549	5,441
Less: direct operating expenses from investment properties that generated rental income during the year	(87)	(3,980)
Net rental income	5,462	1,461
Gain on disposal of property, plant and equipment	–	81

Note:

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

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

17. INCOME TAX EXPENSE

	2009 HK$'000	2008 HK$'000
Underprovision in prior years:		
– Other jurisdictions	–	(12)
Deferred taxation (note 46):		
– Current year	(602)	(782)
– Attributable to a change in tax rate	–	(91)
	(602)	(885)

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

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

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

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

18. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the seven (2008: seven) directors were as follows:

2009

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

2008

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

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

During the year, 914,000 share options and 152,000 awarded shares (2008: 3,148,520 share options and 1,379,320 awarded shares) were granted to directors of the Company in respect of their services provided to the Group, further details are set out in note 49.

19. EMPLOYEES' EMOLUMENTS

Of five individuals with the highest emoluments in the Group, three are directors (2008: three directors) of the Company whose emoluments are included in note 18 above. The emoluments of the remaining two (2008: two) individuals were as follows:

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

Their emoluments were within the following bands:

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

20. DIVIDENDS

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

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

21. LOSS PER SHARE

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

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

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

The number of shares adopted in the calculation of the basic loss per share has been arrived at after eliminating the shares of the Company held under the Company's share award schemes. The computation of diluted loss per share for both years does not assume the conversion of the Company's outstanding convertible loan note, the effect of share option, unvested awarded shares under the Company's long-term incentive schemes (see note 49) since their assumed exercise would result in a decrease in loss per share.

22. INVESTMENT PROPERTIES

	THE GROUP HK$'000
FAIR VALUE	
At 1 January 2008	152,000
Net increase in fair value recognised in profit or loss	14,000
At 31 December 2008, 1 January 2009 and 31 December 2009	166,000

The carrying value of investment properties shown above comprises:

	2009 HK$'000	2008 HK$'000
Properties in Hong Kong	106,000	106,000
Properties in Macau	60,000	60,000
	166,000	166,000

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

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

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

23. PROPERTY, PLANT AND EQUIPMENT

	Restaurant vessels, ferries and pontoons HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Gaming machine HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP							
COST							
At 1 January 2008	72,485	140	19,526	79,371	881	2,690	175,093
Exchange adjustments	–	–	108	53	–	71	232
Additions	1,730	–	983	8,086	8,972	–	19,771
Disposals	(60)	(140)	(4,706)	(3,872)	–	(700)	(9,478)
Transferred to inventories	–	–	–	–	(9,853)	–	(9,853)
At 31 December 2008	74,155	–	15,911	83,638	–	2,061	175,765
Additions	309	–	4,054	2,939	–	–	7,302
Disposal of a subsidiary	–	–	(610)	(5,295)	–	–	(5,905)
Disposals	(70)	–	(4,346)	(1,373)	–	–	(5,789)
At 31 December 2009	74,394	–	15,009	79,909	–	2,061	171,373
ACCUMULATED DEPRECIATION							
At 1 January 2008	46,688	60	7,702	59,758	193	1,056	115,457
Exchange adjustments	–	–	–	6	–	19	25
Provided for the year	3,949	3	8,900	8,334	140	412	21,738
Disposals	–	(63)	(2,759)	(1,153)	–	(124)	(4,099)
Transferred to inventories	–	–	–	–	(333)	–	(333)
At 31 December 2008	50,637	–	13,843	66,945	–	1,363	132,788
Provided for the year	4,122	–	2,928	7,239	–	368	14,657
Disposal of a subsidiary	–	–	(50)	(4,543)	–	–	(4,593)
Disposals	(70)	–	(3,191)	(742)	–	–	(4,003)
At 31 December 2009	54,689	–	13,530	68,899	–	1,731	138,849
CARRYING VALUES							
At 31 December 2009	19,705	–	1,479	11,010	–	330	32,524
At 31 December 2008	23,518	–	2,068	16,693	–	698	42,977

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

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

24. OTHER INTANGIBLE ASSETS

	THE GROUP AND THE COMPANY HK$'000
COST	
At 1 January 2008, 1 January 2009 and 31 December 2009	2,000

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

25. INTERESTS IN JOINTLY CONTROLLED ENTITIES

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

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

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

As at 31 December 2009 and 2008, the Group's interests in jointly controlled entities are principally represented by interests in Melco Crown SPV and MCEAH. As disclosed in note 42, Melco Crown SPV is a joint venture for the issuance of exchangeable bonds ("Exchangeable Bonds") which can be convertible into shares of Melco Crown Entertainment Limited ("Melco Crown Entertainment"), an associate of the Group. The expense of this jointly controlled entity attributable to the Group's interests includes an amount of approximately HK$165,325,000 (2008: income of approximately HK$270,115,000) representing change of fair value on these Exchangeable Bonds, which are designated as financial liability at fair value through profit or loss.

25. INTERESTS IN JOINTLY CONTROLLED ENTITIES – continued

As disclosed in note 42, the Group and the Company has provided a guarantee in respect of the Exchangeable Bonds of HK$1,950 million (US$250 million). As at 31 December 2009, the jointly controlled entity is at a net deficit position and the Group and the Company therefore recognised a further provision of approximately HK$24,380,000 which is included in financial guarantee liability classified as current liabilities.

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

The summarised unaudited financial information in respect of the Group's jointly controlled entities attributable to the Group's interests therein is set out below:

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

26. INTERESTS IN ASSOCIATES

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

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

Name	Place of incorporation/ operation	Class shares held	Percentage of interest in ownership 2009	Percentage of interest in ownership 2008	Principal activities
Melco Crown Entertainment (Note b)	Cayman Islands/ Macau	Ordinary shares	33.45%	37.83%	Operating of electronic gaming machine lounges, casino games of chance and other casino games and hotel business
MCR BC (Note b)	Canada/PRC	Ordinary shares and convertible preference shares	49.30%	49.30%	Operating of ski resorts
MelcoLot Limited (Notes b and d)	Cayman Islands/ PRC	Ordinary shares	11.09%	10.41%	Lottery business management services and provision of network system integration solutions
Power Way (Note c)	British Virgin Islands/ Hong Kong	Ordinary shares	58.70%	58.70%	Investment holding
EGT (Note b)	US/Philippines and Cambodia	Ordinary shares	39.84%	39.84%	Provision of electronic gaming machines to gaming operators

26. INTERESTS IN ASSOCIATES – continued

Name	Place of incorporation/ operation	Class shares held	Percentage of interest in ownership 2009	2008	Principal activities
iAsia Online Systems Limited ("iAsia")	British Virgin Islands/ Hong Kong	Ordinary shares	20%	100%	Provision of online trading software in Hong Kong
Value Convergence Holdings Limited ("VC")	Hong Kong/ Hong Kong	Ordinary shares	–	43.36%	Provision of financial and investment service

Notes:

(a) *Fair values of listed investments are determined at the market price of listed shares as of year end on respective stock exchange.*

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

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

(d) *In addition to the ordinary shares of MelcoLot Limited held by the Group, the Group also holds investment in the convertible loan note issued by MelcoLot Limited (see note 29). The Group's effective interest in MelcoLot Limited would be increased to 35.2% on a fully-diluted basis if all outstanding convertible loan notes issued by MelcoLot Limited were fully converted. The Group is the single largest shareholder of MelcoLot Limited. As such, the directors of the Company believe that the Group has significant influence over MelcoLot Limited after taking into account the potential voting right from the Group's investment in MelcoLot Limited's convertible loan note.*

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

As at 31 December 2009, included in the cost of investment in associates is goodwill of approximately HK$120,049,000 arising on 33,750,000 ordinary shares of Melco Crown Entertainment through distribution of dividend in specie at the fair value of Melco Crown Entertainment's shares of approximately HK$525,150,000 received in October 2009 as disclosed in note 25. This amount of goodwill represents the difference between the fair value of Melco Crown Entertainment's shares received and the Group's share of net asset values of relevant interest in Melco Crown Entertainment at date of distribution.

During the year ended 31 December 2008, the goodwill related to EGT of approximately HK$738,099,000 was fully impaired and included in the impairment loss recognised in respect of interests in associates as disclosed in note 13.

26. INTERESTS IN ASSOCIATES – continued

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

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

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

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

(d) During the year ended 31 December 2008, the Group and its associate, MCR, entered into a series of transactions for the purpose of the amalgamation of MCR with Virtual China Travel Services, Co., Ltd. ("VCTS"), a company listed on the TSX Venture, including:

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

   ii) MCR BC issued shares in May 2008 in exchange for the shares of MCR held by all MCR shareholders, including the Group ("Share Swap"). Under the terms of the Share Swap, MCR BC issued 411,091,347 common shares and 84,375,653 convertible preference shares in exchange for the Group's interest in MCR. MCR became the wholly-owned subsidiary of MCR BC, which then became an associate of the Group. Each of the convertible preference share can be converted into one common share of MCR BC at any time after six months from date of issuance of 27 May 2008 without expiry date and entitle the holder a cumulative dividend of CAD0.001 per share;

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

26. INTERESTS IN ASSOCIATES – continued

(d) – continued

iv) MCR BC then completed the amalgamation ("Amalgamation") with VCTS and MCR BC's common shares and warrants then commenced trading on the TSX Venture. Upon the completion of the Amalgamation, the common shares, convertible preference shares and warrants issued by MCR BC were also consolidated on a 10 to 1 basis.

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

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

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

(g) As disclosed in note 29, MelcoLot Limited became the Group's associate after the distribution by Power Way. During the year ended 31 December 2008, the Group's ownership interest in MelcoLot Limited decreased resulting from the issuance of shares by MelcoLot Limited. As a result, the Group therefore recognised a loss of approximately HK$2,254,000 which represents the decrease in net assets attributable to the Group.

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

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

27. INVESTMENT IN SUBSIDIARIES

	THE COMPANY	
	2009 HK$'000	2008 HK$'000
Unlisted shares, at cost	1,088,346	1,040,712

Details of the Company's principal subsidiaries at 31 December 2009 are set out in note 57.

28. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2009 HK$'000	2008 HK$'000
Unlisted equity security (Note)	8,829	11,403
Equity securities listed in Hong Kong	–	27,690
	8,829	39,093

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

29. INVESTMENT IN CONVERTIBLE LOAN NOTE

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

29. INVESTMENT IN CONVERTIBLE LOAN NOTE – continued

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

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

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

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

30. GOODWILL

	THE GROUP HK$'000
At 1 January 2008 and 31 December 2008	8,555
Disposal of a subsidiary (note 50)	(4,442)
At 31 December 2009	4,113

Particulars regarding impairment testing on goodwill are disclosed in note 31.

31. IMPAIRMENT TESTING ON GOODWILL

THE GROUP

For the purposes of impairment testing, goodwill with indefinite useful lives set out in note 30 has been allocated to the individual cash generating units ("CGUs"). The carrying amount of goodwill allocated to these units is as follows:

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

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

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

32. INVENTORIES

	THE GROUP	
	2009 HK$'000	2008 HK$'000
Food and beverages	1,369	1,085
Consumables	573	639
Merchandise	4,639	55,928
	6,581	57,652

Included in the inventories are merchandise of HK$2,497,000 (2008: HK$52,875,000) carried at net realisable value.

33. TRADE RECEIVABLES

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

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

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

Notes:

(a) *The Group's Leisure, Gaming and Entertainment segment and Property and Other Investments segment are largely operated on cash on delivery or payment in advance terms, except for those well-established customers to whom credit terms of 30 to 120 days would be granted.*

(b) *Trade receivables on the Group's Technology segments are due immediately from date of billing but the Group will generally grant a normal credit period of 30 days to 90 days on average to its customers.*

Before accepting any new customer, the Group assesses the potential customer's credit quality by respective sales team and defines credit limit by customer. All trade receivables that are neither past due nor impaired have the best credit quality attributable to the credit assessment system used by the Group. Included in the Group's trade receivables balance are debtors with a carrying amount of HK$27,872,000 (2008: HK$43,595,000) which are past due over their credit terms for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

33. TRADE RECEIVABLES – continued

Ageing of trade receivables which are past due but not impaired:

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

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

Movement in the allowance for doubtful debts

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

34. HELD-FOR-TRADING INVESTMENTS

THE GROUP

Held-for-trading investments as at 31 December 2009 represents equity securities listed in Hong Kong of approximately HK$300,000 (2008: HK$150,000).

35. DERIVATIVE FINANCIAL INSTRUMENTS

THE GROUP

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

In addition, the Group subscribed 1,000,000 warrants, after consolidation on a 10 to 1 basis, issued by MCR BC (note 26(d)) during the year ended 31 December 2008. These warrants have exercise price of CAD4 which are exercisable until May 2010. As at 31 December 2009, the fair value of the MCR BC warrants amounted to approximately HK$34,000 (2008: HK$64,000) and was recognised as derivative financial assets in the consolidated statement of financial position. The fair value of the MCR BC warrants was determined with reference to the quoted bid price at the end of reporting period.

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

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

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

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

36. AMOUNTS DUE FROM (TO) ASSOCIATES

THE GROUP

Included in amounts due from associates are:

i) amount due from an associate of approximately HK$578,578,000 (2008: HK$578,578,000) which is unsecured, interest bearing at HIBOR (2008: HIBOR plus 1.5%) per annum and not repayable within twelve months from the end of the reporting period. This associate continues to expand its gaming business in Macau, the Group has reviewed the financial position and the bank facilities available to this associate and considers no impairment on the amount due from this associate;

36. AMOUNTS DUE FROM (TO) ASSOCIATES – continued

THE GROUP – continued

ii) amount due from an associate of approximately HK$73,076,000 (2008: HK$93,898,000) which is unsecured and interest bearing at 5% per annum. Approximately HK$24,333,000 out of the HK$73,076,000 is repayable within twelve months from the end of the reporting period and the remaining HK$48,743,000 is repayable after twelve months from the end of the reporting period. The Group has reviewed the financial position and the bank facilities available to this associate and considers no impairment on the amount due from this associate;

iii) amount due from an associate of approximately HK$194,103,000 (2008: HK$173,976,000) in which approximately HK$2,951,000 is unsecured and repayable on demand, approximately HK$11,839,000 is unsecured and repayable on 28 January 2010 and approximately HK$179,313,000 is unsecured and repayable on 31 March 2010. Approximately HK$106,675,000 out of the HK$194,103,000 is interest bearing at 3-month London Interbank Offered Rate ("LIBOR") plus 3% per annum and the remaining HK$87,428,000 (2008: HK$80,203,000) is non-interest bearing. A deemed capital contribution of approximately HK$5,770,000 has been recognised on the non-interest bearing balance using interest rate at LIBOR plus 3% per annum during the year ended 31 December 2008. As disclosed in note 14, the Group recognised an impairment in respect of amount due from this associate amounting to approximately HK$189,506,000 (2008: Nil) during the year ended 31 December 2009; and

iv) amount due from an associate of approximately HK$41,900,000 which was unsecured, interest bearing at HIBOR plus 1.25% to 2% per annum and repayable upon written notice given from the Company as at 31 December 2008. The amount was fully settled during the year ended 31 December 2009.

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

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

THE COMPANY

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

37. AMOUNTS DUE FROM (TO) SUBSIDIARIES

THE COMPANY

As at 31 December 2009, amounts due from subsidiaries are unsecured and interest free. Except for amounts due from subsidiaries of approximately HK$80,569,000 (2008: HK$55,327,000) which is repayable within one year, the remaining amounts due from subsidiaries are repayable after one year. Deemed interest income of approximately HK$47,634,000 (2008: HK$79,770,000) from amounts due from subsidiaries repayable after one year is derived from interest rate of HIBOR plus 1.28% (2008: HIBOR plus 1.5%) per annum. During the year ended 31 December 2009, the Company recognised an impairment loss of approximately HK$227,860,000 (2008: Nil) on amount due from a subsidiary in view that this subsidiary continues to be loss making.

As at 31 December 2009, amounts due to subsidiaries includes i) approximately HK$221,573,000 (2008: HK$526,000) which are unsecured, interest free and repayable on demand; ii) HK$6,400,000 (2008: HK$6,400,000) which is unsecured, interest bearing at HIBOR plus 2% per annum; and repayable within one year; and iii) HK$40,200,000 (2008: HK$46,600,000) which is unsecured, interest bearing at HIBOR plus 2% and repayable after one year.

38. PLEDGE OF ASSETS

THE GROUP AND THE COMPANY

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

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

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

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

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

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

THE GROUP AND THE COMPANY

Bank deposits with original maturity over three months carry fixed interest rate at about 1.9% (2008: 2.9%) per annum. Bank balances and cash comprises cash held by the Group and the Company and short-term bank deposits with an original maturity of three months or less and carries prevailing deposit interest rate at about 0.1% (2008: 2.8%) per annum.

40. TRADE PAYABLES

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

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

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

41. SHAREHOLDER'S LOAN

THE GROUP AND THE COMPANY

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

42. FINANCIAL GUARANTEE LIABILITY

THE GROUP AND THE COMPANY

On 30 July 2007, the Company and Crown Limited, a major shareholder of Melco Crown Entertainment, formed a 50:50 joint venture, Melco Crown SPV, for the purpose of issuing Exchangeable Bonds with an aggregate principal amount of HK$1,950 million (US$250 million), to fund a share purchase program for acquiring ADS of Melco Crown Entertainment. In September 2007, the Exchangeable Bonds with an aggregate principal amount of HK$1,950 million (US$250 million) were issued which will mature in September 2012 and have been listed on the Singapore Stock Exchange Limited. The holders of Exchangeable Bonds have a put option exercisable in September 2010 to require Melco Crown SPV to redeem the full amount of the aggregated principal amount. The put option is only exercisable on a single occasion in September 2010 and cannot be exercised after that date. The Exchangeable Bonds are jointly and severally guaranteed by the Company and Crown Limited. The financial guarantee liability is recognised initially at its fair value of approximately HK$225,706,000 with a respective increase in interest in Melco Crown SPV.

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

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

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

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

43. BANK BORROWINGS

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

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

44. CONVERTIBLE LOAN NOTE

THE GROUP AND THE COMPANY

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

The convertible loan note contains two components, liability and equity elements. The equity element is presented in equity heading "convertible loan note equity reserve". At 31 December 2009, the effective interest rate of the liability component is 6.25% (2008: 6.25%) per annum.

44. CONVERTIBLE LOAN NOTE – continued

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

	2009 HK$'000	2008 HK$'000
Carrying amounts at the beginning of the year	1,061,861	999,399
Interest on convertible loan note (Note 15)	66,366	62,462
Carrying amount at the end of the year	1,128,227	1,061,861
Analysed for reporting purpose as:		
Current liabilities	1,128,227	–
Non-current liabilities	–	1,061,861
	1,128,227	1,061,861

45. LONG TERM PAYABLE

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

During the year ended 31 December 2009, the repayment date of the long term payable of HK$180,000,000 has been re-negotiated and extended from May 2010 to May 2011 (2008: extended from May 2009 to May 2010) such that a gain of approximately HK$8,010,000 (2008: HK$2,517,000) was recognised. As at 31 December 2009, the effective interest rate of the long term payable is 3.1% (2008: 3.1%) per annum.

46. DEFERRED TAX ASSETS

THE GROUP

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

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

At the end of the reporting period, the Group has unused estimated tax losses of approximately HK$699,816,000 (2008: HK$402,679,000). A deferred tax asset has been recognised in respect of HK$78,641,000 (2008: HK$84,004,000) tax losses to the extent that realisation of the related tax benefit through future taxable profit is probable. As at 31 December 2008, a deferred tax asset is recognised on the consolidated statement of financial position in view that the relevant subsidiary in the Technology segment has been profit making in recent years. No deferred tax asset has been recognised in respect of the remaining tax loss due to the unpredictability of future profit streams. Included in unrecognised tax losses are loss of approximately HK$240,455,000 that will expire in 2011. All other losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$7,063,000 (2008: Nil). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

THE COMPANY

As at 31 December 2009, the Company has approximately HK$71,469,000 (2008: HK$67,098,000) unused tax loss. No deferred tax asset has been recognised in respect of the tax loss due to the unpredictability of future profit streams. Tax loss may be carried forward indefinitely.

47. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2009	2008	2009 HK$'000	2008 HK$'000
Authorised:				
At the beginning and end of the year, shares of HK$0.5 each	2,000,000,000	2,000,000,000	1,000,000	1,000,000
Issued and fully paid:				
At the beginning of the year, shares of HK$0.5 each	1,229,331,116	1,228,475,716	614,666	614,238
Exercise of shares options	487,823	855,400	244	428
Issue of shares under the share subscription scheme	440,000	–	220	–
At the end of the year, shares of HK$0.5 each	1,230,258,939	1,229,331,116	615,130	614,666

As at 31 December 2009, the Company's 1,339,813 (2008: 2,151,890) and 261,672 (2008: Nil) issued shares with an aggregate nominal value of approximately HK$670,000 (2008: HK$1,076,000) and HK$131,000 (2008: Nil) were held by the Company's share purchase scheme and share subscription scheme, respectively.

48. RESERVES

	Share premium HK$'000	Capital reserve HK$'000 (Note)	Convertible loan note equity reserve HK$'000	Share options reserve HK$'000	Shares held under share award scheme HK$'000	Share award reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
THE COMPANY								
At 1 January 2008	3,125,485	283,734	307,253	21,958	–	–	(114,730)	3,623,700
Loss for the year	–	–	–	–	–	–	(207,034)	(207,034)
Exercise of share options	4,703	–	–	–	–	–	–	4,703
Recognition of equity – settled share based payment	–	–	–	13,271	–	7,365	–	20,636
Transfer to share premium upon exercise of share options	1,254	–	–	(1,254)	–	–	–	–
Transfer of share option reserve upon expiry of share options	–	–	–	(1,337)	–	–	1,337	–
Purchase of shares for unvested shares under the share award schemes	–	–	–	–	(24,000)	–	–	(24,000)
Share vested under the share award schemes	–	–	–	–	2,912	(3,227)	315	–
Dividend paid	–	(12,271)	–	–	–	–	–	(12,271)
At 31 December 2008	3,131,442	271,463	307,253	32,638	(21,088)	4,138	(320,112)	3,405,734
Loss for the year	–	–	–	–	–	–	(330,839)	(330,839)
Exercise of share options	740	–	–	–	–	–	–	740
Recognition of equity – settled share based payment	–	–	–	14,744	–	4,683	–	19,427
Transfer to share premium upon exercise of share options	561	–	–	(561)	–	–	–	–
Transfer of share option reserve upon expiry of share options	–	–	–	(244)	–	–	244	–
Share issued under the share award schemes	–	–	–	–	(220)	–	–	(220)
Share vested under the share award schemes	–	–	–	–	8,057	(4,787)	(3,270)	–
At 31 December 2009	3,132,743	271,463	307,253	46,577	(13,251)	4,034	(653,977)	3,094,842

48. RESERVES – continued

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

49. LONG TERM INCENTIVE SCHEMES

Share option scheme

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

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

49. LONG TERM INCENTIVE SCHEMES – continued

Share option scheme – continued

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

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

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

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

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

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

49. LONG TERM INCENTIVE SCHEMES – continued

Share option scheme – continued

Movements of the share options, which were granted under the Scheme, during the year ended 31 December 2009 are set out below:

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

49. LONG TERM INCENTIVE SCHEMES – continued

Share option scheme – continued

Notes:

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

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

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

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

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

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

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

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

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

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

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

49. LONG TERM INCENTIVE SCHEMES – continued

Share option scheme – continued

Notes: – continued

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

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

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

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

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

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

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

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

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

49. LONG TERM INCENTIVE SCHEMES – continued

Share option scheme – continued

Notes: – continued

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

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

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

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

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

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

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

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

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

49. LONG TERM INCENTIVE SCHEMES – continued

Share award schemes

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

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

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

Share Purchase Scheme

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

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

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

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

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

49. LONG TERM INCENTIVE SCHEMES – continued

Share award schemes – continued

Share Purchase Scheme – continued

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 year ended 31 December 2009 are set out below:

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

Note: Others represent the former employees of the Group.

49. LONG TERM INCENTIVE SCHEMES – continued

Share award schemes – continued

Share Subscription Scheme

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

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

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

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

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

49. LONG TERM INCENTIVE SCHEMES – continued

Share award schemes – continued

Share Subscription Scheme – continued

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 year ended 31 December 2009 are set out below:

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

Note: Others represent the former employees of the Group.

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

50. DISPOSAL OF A SUBSIDIARY

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

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

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

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

51. MAJOR NON-CASH TRANSACTIONS

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

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

ii) Investment in Melco Crown Entertainment of HK$525,150,000 by way of dividends in specie distributed by MCEAH (note 25).

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

i) Capitalisation of amount due from an associate of approximately HK$291 million (note 26(d)).

ii) Deemed capital contribution of approximately HK$5,770,000 on non-interest bearing amount due from an associate (note 36(iii));

iii) Investment in convertible loan note and interest in MelcoLot Limited distributed by Power Way (note 29); and

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

52. OPERATING LEASES

(a) The Group as lessee

Minimum lease payments under operating leases during the year in respect of office premises were approximately HK$18,241,000 (2008: HK$23,484,000).

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

	THE GROUP	
	2009 HK$'000	2008 HK$'000
Within one year	10,981	10,461
In the second to fifth year inclusive	1,786	21,969
	12,767	32,430

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

52. OPERATING LEASES – continued

(b) The Group as lessor

At 31 December 2009, the Group has entered into lease arrangements with certain tenants for its investment properties. Certain of the properties held have committed tenants for the next one to four years. At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments.

	THE GROUP	
	2009 HK$'000	2008 HK$'000
Within one year	7,511	8,334
In the second to fifth year inclusive	13,705	20,192
	21,216	28,526

The Company had no significant operating leases at the end of the reporting period.

53. CONTINGENT LIABILITIES

THE GROUP AND THE COMPANY

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

The Group and the Company recognised financial guarantee liabilities in respect of the Exchangeable Bonds issued by Melco Crown SPV which are jointly and severally guaranteed by the Company and Crown Limited. Details of the guarantee are disclosed in notes 25 and 42.

54. RETIREMENT BENEFIT SCHEMES

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

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

55. RELATED PARTY TRANSACTIONS

(a) The trade receivables include amounts due from related companies in relation to implementation of technology solution systems of approximately HK$27,947,000 (2008: HK$27,616,000).

The trade receivables include amount due from an associate, in relation to the implementation of technology solution systems of approximately HK$16,911,000 (2008: HK$882,000).

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

(b) The accruals and other payables include deposits received from related companies in relation to implementation of technology solution system of approximately HK$14,060,000 (2008: HK$4,611,000) and HK$457,000 (2008: HK$49,139,000), respectively.

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

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

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

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

55. RELATED PARTY TRANSACTIONS – continued

(e) Compensation of key management personnel

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

	THE GROUP	
	2009 HK$'000	2008 HK$'000
Short-term benefits	14,593	23,856
Post-employment benefits	105	101
Share-based payments	15,951	15,558
	30,649	39,515

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

56. EVENT AFTER THE REPORTING PERIOD

On 18 February 2010, pursuant to the amendments set out in by a Deed of Amendment, which is entered into between the Company and the holder of the convertible loan note, Great Respect Limited, a company controlled by a discretionary family trust, the beneficiaries of which include Mr. Ho, Lawrence Yau Lung and his family members, became effective. According to the Deed of Amendment, the maturity date of convertible loan note as disclosed in note 44 is extended from 4 September 2010 to 4 September 2013, the conversion price is reduced from HK$9.965 per share to HK$3.93 per share and early redemption option is granted to the Company and the holder of the convertible loan note. No interest will be payable for the outstanding amount during the extended term of the convertible loan note. The directors of the Company are currently assessing the financial effects of the amendments of the convertible loan note on the consolidated financial statements of the Group and the Company.

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Proportion ownership interest held by the Company			
				Directly		Indirectly	
				2009	2008	2009	2008
Melco Leisure and Entertainment Group Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%	100%	–	–
Aberdeen Restaurant Enterprises Limited	Hong Kong	Restaurant operations and property investment in Hong Kong	8,060 A shares of HK$1,000 each and 33,930 B shares of HK$500 each	–	–	86.68%	86.68%

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – continued

Name of subsidiary	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Proportion ownership interest held by the Company			
				Directly		Indirectly	
				2009	2008	2009	2008
Tai Pak Sea-Food Restaurant Limited	Hong Kong	Catering, restaurant vessel holding and letting in Hong Kong	5 founders' shares of HK$100 each and 13,495 ordinary shares of HK$100 each	–	–	84.76%	84.76%
Jumbo Catering Management Limited	Hong Kong	Provision of management services in Hong Kong	220 ordinary shares of HK$5,000	–	–	86.68%	86.68%
Melco Technology Group Limited	Hong Kong	Investment holding in Hong Kong	2 ordinary shares of HK$1 each	100%	100%	–	–
Elixir Group Limited	Hong Kong	Investment holding in Hong Kong	833,333 ordinary shares of HK$1 each	–	–	100%	100%
Elixir International Limited	Macau	Provision of hardware and software in Macau	2 quota shares of MOP450,000 and MOP50,000 each	–	–	100%	100%
Elixir Group Philippines, Inc.	Philippines	Inactive	10,000 common shares of 100 pesos each	–	–	100%	100%
Melco Services Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	100%	100%	–	–
Melco Investment Holdings Limited	British Virgin Islands	Investment holding in Macau	1 ordinary share of US$1	100%	100%	–	–
Zonic Technology Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	–	–	100%	100%
Melco LottVentures Holdings Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	–	–	100%	100%

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

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

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000
Revenue	600,640	800,609	1,015,521	690,862	709,553
Profit (loss) for the year	556,460	2,759,981	2,668,663	(2,353,214)	(1,448,416)
Attributable to:					
Owners of the Company	548,718	2,836,755	2,690,639	(2,356,819)	(1,449,685)
Minority interests	7,742	(76,774)	(21,976)	3,605	1,269
	556,460	2,759,981	2,668,663	(2,353,214)	(1,448,416)

ASSETS AND LIABILITIES

	At 31 December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000
Total assets	5,652,932	9,344,627	12,314,179	10,406,181	8,537,923
Total liabilities	(1,408,454)	(1,683,149)	(1,972,636)	(2,480,641)	(1,828,863)
	4,244,478	7,661,478	10,341,543	7,925,540	6,709,060
Equity attributable to owners of the Company	3,558,185	7,567,107	10,319,113	7,899,505	6,681,756
Share options reserve of a subsidiary	–	265	–	–	–
Minority interests	686,293	94,106	22,430	26,035	27,304
	4,244,478	7,661,478	10,341,543	7,925,540	6,709,060

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. HO, Lawrence Yau Lung
(Chairman & Chief Executive Officer)
Mr. TSUI Che Yin, Frank
Mr. CHUNG Yuk Man, Clarence

Non-executive Director

Mr. NG Ching Wo

Independent Non-executive Directors

Sir Roger LOBO
Dr. LO Ka Shui
Mr. SHAM Sui Leung, Daniel

EXECUTIVE COMMITTEE

Mr. HO, Lawrence Yau Lung *(Chairman)*
Mr. TSUI Che Yin, Frank
Mr. CHUNG Yuk Man, Clarence
Mr. TSANG Yuen Wai, Samuel*
Mr. TAM Chi Wai, Dennis*

AUDIT COMMITTEE

Sir Roger LOBO *(Chairman)*
Mr. SHAM Sui Leung, Daniel
Mr. NG Ching Wo

REMUNERATION COMMITTEE

Dr. LO Ka Shui *(Chairman)*
Sir Roger LOBO
Mr. NG Ching Wo

NOMINATION COMMITTEE

Mr. NG Ching Wo *(Chairman)*
Sir Roger LOBO
Mr. HO, Lawrence Yau Lung

FINANCE COMMITTEE

Mr. HO, Lawrence Yau Lung *(Chairman)*
Mr. TSUI Che Yin, Frank
Mr. CHUNG Yuk Man, Clarence
Mr. TAM Chi Wai, Dennis*

REGULATORY COMPLIANCE COMMITTEE

Mr. HO, Lawrence Yau Lung *(Chairman)*
Mr. TSUI Che Yin, Frank
Dr. LO Ka Shui
Mr. TSANG Yuen Wai, Samuel*

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Sir Roger LOBO *(Chairman)*
Mr. HO, Lawrence Yau Lung
Mr. TSUI Che Yin, Frank
Mr. CHUNG Yuk Man, Clarence
Ms. MA Po Ming, Maggie*

COMPANY SECRETARY

Mr. TSANG Yuen Wai, Samuel

REGISTERED OFFICE

38th Floor
The Centrium
60 Wyndham Street
Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Richards Butler
King & Wood

PRINCIPAL BANKERS

Credit Suisse
UBS AG

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 200

WEBSITE

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