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. In prior years, the Group was also engaged in the Investment and Financial Services. That operation was discontinued in current year (see note 18).

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Company and the Group has applied, for the first time, a number of standard, amendment and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for the Company and the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 financial reporting in hyperinflationary economies
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of embedded derivatives
HK(IFRIC) – INT 10	Interim financial reporting and impairment

The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current and prior accounting periods are prepared. Accordingly, no prior period adjustments have been required. The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS – CONTINUED

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – INT 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC) – INT 12	Service Concession Arranagements[4]
HK(IFRIC) – INT 13	Customer Loyalty Programmes[5]
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

1 Effective for annual periods beginning on or after 1 January 2009

2 Effective for annual periods beginning on or after 1 July 2009

3 Effective for annual periods beginning on or after 1 March 2007

4 Effective for annual periods beginning on or after 1 January 2008

5 Effective for annual periods beginning on or after 1 July 2008

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (revised) will affect the accounting treatment on changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new and revised standards and interpretations will have no material impact on the results and the financial position of the Company and the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards. 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 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 income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

BASIS OF CONSOLIDATION – CONTINUED

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, the attributable special reserve is transferred to accumulated profit.

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 is 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 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

GOODWILL – CONTINUED

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 the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

If the potential benefit of the acquired subsidiaries' income tax loss carry-forwards or other deferred tax assets did not satisfy the criteria for recognition when a business combination is initially accounted for but is subsequently realised, the amount is recognised as income in accordance with HKAS 12 Income Taxes. In addition, the carrying amount of goodwill is reduced to the amount that would have been recognised if the deferred tax asset had been recognised as an identifiable asset from the acquisition date. The amount for the reduction in the carrying amount of the goodwill is recognised as an expense immediately.

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 are included in the Company's balance sheet at cost, less any identified impairment loss.

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 balance sheet 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, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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 balance sheet 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 assessed for impairment as part of the investment.

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

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

REVENUE RECOGNITION

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

Revenue from management of electronic gaming machine lounge is recognised when the management services are rendered and are measured in accordance with the Group's sharing of net win of the electronic gaming machine in accordance with respective service agreements.

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

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

Revenue from implementation of technology solution systems are recognised upon the user's acceptance of the relevant part of the systems.

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

REVENUE RECOGNITION – CONTINUED

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.

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

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

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 the consolidated income statement in the year 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 the consolidated income statement 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 the consolidated income statement in the year in which the asset is derecognised.

LEASING

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

THE GROUP AS LESSOR

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

THE GROUP AS LESSEE

Rentals payable under operating leases are charged to the consolidated income statement 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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet 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 translation of monetary items, are recognised in the consolidated income statement in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains or losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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 Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, 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 as a separate component of equity (the exchange reserve). Such exchange differences are recognised in the consolidated income statement in the period in which the foreign operation is disposed of.

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 balance sheet date. Exchange differences arising are recognised in the exchange reserve.

RETIREMENT BENEFITS COSTS

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

TAXATION

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement 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 balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

TAXATION – CONTINUED

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, and is accounted for using the balance sheet liability method. 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

INVENTORIES

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

SHARE-BASED PAYMENT TRANSACTIONS

EQUITY SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Share options granted to directors, employees and other eligible persons

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 equity (share options reserve).

At each balance sheet date, the Company and the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in the consolidated income statement, with a corresponding adjustment to share options reserve.

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 accumulated profit.

Prior to the application of HKFRS 2 Share-based Payment, the Company and the Group did not recognise the financial effect of these 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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets acquired separately with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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 the consolidated income statement when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the balance sheet 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 the consolidated income statement.

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 on 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.

Income is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

FINANCIAL INSTRUMENTS – CONTINUED

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, 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. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprised financial assets held for trading and those designated at fair value through profit or loss 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.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, long term deposits, amounts due from subsidiaries, jointly controlled entities and associates, 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 fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

FINANCIAL INSTRUMENTS – CONTINUED

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. 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 impacted.

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 average credit period of 30 to 120 days for Leisure, Gaming and Entertainment Segment and 30 days for Technology Segment, 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, 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 receivable 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 equity.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

FINANCIAL INSTRUMENTS – CONTINUED

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. The Company and the Group's financial liabilities are generally classified as other financial 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 through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Convertible loan notes

Convertible loan notes issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the loan notes into equity, is included in equity (convertible loan notes equity reserve).

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible loan notes equity reserve will be released to the accumulated profits. No gain or loss is recognised in the consolidated income statement upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the 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 notes 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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

FINANCIAL INSTRUMENTS – CONTINUED

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 each balance sheet date. 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.

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 at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

DERECOGNITION

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company or 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 equity 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 the consolidated income statement.

IMPAIRMENT LOSSES ON TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL (SEE THE ACCOUNTING POLICIES IN RESPECT OF GOODWILL ABOVE)

At each balance sheet date, 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. 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

All borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

ESTIMATED IMPAIRMENT OF GOODWILL

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, the carrying amount of goodwill is approximately HK$8,555,000. Details of the recoverable amount calculation are disclosed in Note 31. In addition, the carrying amount of goodwill, included in interest in associates, amounted to approximately HK$738,099,000 and no impairment is considered necessary based on the estimated future cash flows expected to arise from the such associate.

ESTIMATED IMPAIRMENT OF TRADE RECEIVABLES AND AMOUNTS DUE FROM ASSOCIATES

In determining whether there is an objective evidence of impairment loss, the Company and the Group takes into consideration the estimation of its future cash flows. The amount of the impairment loss 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.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the long term payable, bank borrowings, shareholder's loan and convertible loan notes disclosed in notes 13(b), 44, 45 and 46, respectively, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated 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 associates with each class of capital. The Company and the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

6A. CATEGORIES OF FINANCIAL INSTRUMENTS

	THE GROUP	
	2007 HK$'000	2006 HK$'000
Financial assets		
Fair value through profit or loss	**224,056**	14,503
Loans and receivables (including cash and cash equivalents)	**2,897,991**	3,127,130
Available-for-sale financial assets	**156,337**	19,837
Financial liabilities		
Amortised cost	**1,730,470**	1,631,881
Financial guarantee liability	**212,242**	–

	THE COMPANY	
	2007 HK$'000	2006 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**4,812,952**	4,684,184
Financial liabilities		
Amortised cost	**1,331,807**	1,163,022
Financial guarantee liability	**212,242**	–

6B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

The Company's and the Group's major financial instruments include trade and other receivables, trade and other payables, amounts due from (to) subsidiaries, associates and jointly controlled entities, pledged bank deposits, dividend payable, financial guarantee liability, bank borrowings, shareholder's loan, long term payable and convertible loan notes. Details of the financial instruments are disclosed in respective notes. 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 market risks or the manner in which it manages and measure the risk.

6. FINANCIAL INSTRUMENTS – CONTINUED

6B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES – CONTINUED

MARKET RISK

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases and foreign bank deposits, which expose the Group to foreign currency risk. Approximately 31% of the Group's sales and foreign bank deposits are denominated in currencies other than the functional currency of the group entity making the sale, whilst approximately 77% of purchase are denominated in the foreign currencies other than the group entity's functional currency.

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 Company and the Group.

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

	THE GROUP			
	Liabilities		Assets	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
United States dollar ("USD")	**(190,934)**	(117,415)	**1,615,596**	1,097,857
Macau Patacas ("MOP")	**(11,313)**	(50,021)	**189,013**	257,419

	THE COMPANY			
	Liabilities		Assets	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
USD	**(45,438)**	(444)	**1,203,399**	1,093,264
MOP	**–**	–	**106,509**	110,321

6. FINANCIAL INSTRUMENTS – CONTINUED

6B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES – CONTINUED

MARKET RISK – CONTINUED

(i) Currency risk – continued

Sensitivity analysis

The Company and the Group is mainly exposed to the USD and MOP.

The following table details the Company's and the Group's sensitivity to a 1% increase and 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 number below indicates a decrease in profit where Hong Kong dollars strengthen 1% against the relevant currency. For a 1% weakening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit, and the amounts below would be positive.

THE GROUP

	USD Impact			MOP Impact		
	2007 HK$'000	2006 HK$'000		**2007 HK$'000**	2006 HK$'000	
Profit or loss	**(14,247)**	(9,804)	(i)	**(1,778)**	(2,074)	(ii)

THE COMPANY

	USD Impact			MOP Impact		
	2007 HK$'000	2006 HK$'000		**2007 HK$'000**	2006 HK$'000	
Profit or loss	**(11,598)**	(10,928)	(i)	**(1,065)**	(1,103)	(ii)

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

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

6. FINANCIAL INSTRUMENTS – CONTINUED

6B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES – CONTINUED

MARKET RISK – CONTINUED

(ii) Interest rate risk

The Company and the Group is exposed to fair value interest rate risk in relation to long-term payable and convertible loan notes (see Notes 13 and 46 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 Company and the Group is exposed to cash flow interest rate risk in relation to variable-rate amounts due from associates and subsidiaries, bank balances, bank borrowings and shareholder's loan (see Notes 38, 39, 41, 44 and 45 for details of these borrowings). It is the Company's and Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For variable-rate amounts due from associates, bank balances, bank borrowings and shareholder's loan, the analysis is prepared assuming the amount of assets and liability outstanding at the balance sheet date was 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 profit for the year ended 31 December 2007 would increase/decrease by approximately HK$3,021,000 and (2006: increase/decrease by HK$3,041,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate amounts due from associates, bank balances, bank borrowings and shareholder's loan (2006: Amounts due from associates, bank balances and bank borrowing);

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended 31 December 2007 would decrease/increase by approximately HK$441,000 and (2006: increase/decrease by HK$1,210,000). This is mainly attributable to the Company's exposure to interest rates on its variable-rate amounts due from associates and subsidiaries, bank balances, bank borrowings and shareholder's loan (2006: Amounts due from subsidiaries and bank balances).

The Company's and the Group's sensitivity to interest rates has decreased during the current year mainly due to the decreased in variable rate financial instruments.

6. FINANCIAL INSTRUMENTS – CONTINUED

6B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES – CONTINUED

MARKET RISK – CONTINUED

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities and derivative financial instruments if there is an adverse change in prices. the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks on available-for-sale investments and held-for-trading investments measured at fair value and warrants at the reporting date.

If the equity prices to which the respective equity securities and derivative financial instruments relate had been 5% higher/lower:

- profit for the year ended 31 December 2007 increase/decrease by HK$11,175,000 (2006: increase/decrease by HK$722,000) as a result of the changes in fair value of held-for-trading investments and warrants (2006: held-for-trading investments); and

- other revaluation reserve would increase/decrease by HK$6,825,000 (2006: increase/decrease by nil) for the Group as a result of the changes in fair value of available-for-sale investments (excluding available-for-sale investment carried at cost less impairment).

The Group's sensitivity to equity price risk has increased as a result of the increase in available-for-sale investments and warrants.

CREDIT RISK

As at 31 December 2007, the Company's and the Group's maximum exposure to credit risk which will cause a financial loss to the Company and the Group 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 respective balance sheet; 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 55 and 43, respectively.

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

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

6. FINANCIAL INSTRUMENTS – CONTINUED

6B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES – CONTINUED

CREDIT RISK – CONTINUED

The Group's concentration of credit risk by geographical locations are mainly in Hong Kong and Macau. The Group's significant concentration of credit risk is mainly on the amount due from an associate of Melco PBL Entertainment (Macau) Limited ("Melco PBL Entertainment"). The Group consider the credit risk is minimal as the financial position of the associates has been strengthened after the issuance of American Depositary Shares ("ADSs") by Melco PBL Entertainment in year 2006 and 2007 (see note 27). In addition, the credit risk on liquid funds is minimised as they are deposited with several banks with high credit ratings. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

LIQUIDITY RISK

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

The Company and the Group relies on bank borrowings and shareholder's loan as a significant source of liquidity. Details of which are set out in notes 44 and 45, respectively. As at 31 December 2007, the Company and the Group has available short-term bank loan facilities of HK$129,800,000 (2006: HK$219,800,000).

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

6. FINANCIAL INSTRUMENTS – CONTINUED

6B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES – CONTINUED

LIQUIDITY RISK – CONTINUED

Liquidity and interest risk tables

THE GROUP

	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 31.12.2007 HK$'000
2007								
Non-derivative financial liabilities								
Trade and other payables	–	259,009	–	–	–	–	259,009	259,009
Dividend payable	–	118	–	–	–	–	118	118
Shareholder's loan	9.3%	–	7,451	266,059	–	–	273,510	250,000
Bank loans	4.4%	136	384	82,671	–	–	83,191	80,000
Long term payable	–	–	–	–	180,000	–	180,000	168,142
Convertible loan note	–	–	–	–	–	1,175,000	1,175,000	999,399
		259,263	7,835	348,730	180,000	1,175,000	1,970,828	1,756,668

	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 31.12.2006 HK$'000
2006								
Non-derivative financial liabilities								
Trade and other payables	–	362,331	–	–	–	–	362,331	362,331
Dividend payable	–	1,444	–	–	–	–	1,444	1,444
Bank loans	5.3%	49,050	–	–	–	–	49,050	49,000
Long term payable	–	–	–	–	180,000	–	180,000	170,537
Convertible loan note	4.0%	–	–	6,240	7,257	1,335,858	1,349,355	1,093,459
		412,825	–	6,240	187,257	1,335,858	1,942,180	1,676,771

6. FINANCIAL INSTRUMENTS – CONTINUED

6B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES – CONTINUED

LIQUIDITY RISK – CONTINUED

Liquidity and interest risk tables – continued

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 31.12.2007 HK$'000
2007								
Non-derivative financial liabilities								
Other payables	–	5,656	–	–	–	–	5,656	5,656
Amounts due to associates	–	2,163	–	–	–	–	2,163	2,163
Amounts due to subsidiaries	–	129	–	–	–	–	129	129
Dividend payable	–	118	–	–	–	–	118	118
Shareholder's loan	9.3%	–	7,451	266,059	–	–	273,510	250,000
Bank loans	4.4%	136	384	82,671	–	–	83,191	80,000
Convertible loan note	–	–	–	–	–	1,175,000	1,175,000	999,399
		8,202	7,835	348,730	–	1,175,000	1,539,767	1,337,465

	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 31.12.2006 HK$'000
2006								
Non-derivative financial liabilities								
Other payables	–	7,480	–	–	–	–	7,480	7,480
Dividend payable	–	1,444	–	–	–	–	1,444	1,444
Amounts due to subsidiaries	–	68,119	–	–	–	–	68,119	68,119
Convertible loan notes	4.0%	–	–	6,240	7,257	1,335,858	1,349,355	1,093,459
		77,043	–	6,240	7,257	1,335,858	1,426,398	1,170,502

At 31 December 2007 and 2006, it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the carrying amount of financial guarantee contract of approximately HK$212,242,000 (2006: Nil) has not been presented above.

6. FINANCIAL INSTRUMENTS – CONTINUED

6C. 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; and

- the fair value of other financial assets and financial liabilities are 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 financial instruments including warrants is measured using binominal model.

Except as detailed in the following table, the directors consider that the carrying amounts of financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values:

	THE GROUP AND THE COMPANY			
	2007		2006	
	Carrying amount HK$'000	**Fair value HK$'000 (Note)**	Carrying amount HK$'000	Fair value HK$'000 (Note)
Financial liabilities				
Convertible loan notes	**999,399**	**885,461**	1,093,459	981,057

Note: The fair value is determined with reference to the present value of the convertible loan note using the bank borrowing rate of the Group of similar terms at respective balance sheet dates.

7. REVENUE

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

	Continuing operation		Discontinued operation		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Implementation of technology solution systems	**573,496**	264,178	**–**	–	**573,496**	264,178
Sales of leisure and gaming products	**28,828**	–	**–**	–	**28,828**	–
Catering service income	**90,725**	99,262	**–**	–	**90,725**	99,262
Income from management of electronic gaming machines lounges	**–**	132,989	**–**	–	**–**	132,989
Brokerage commission from dealing in securities and futures and options contracts	**–**	–	**140,953**	105,186	**140,953**	105,186
Interest income from clients	**–**	–	**55,427**	61,254	**55,427**	61,254
Interest income from authorised institutions	**100,227**	106,984	**–**	–	**100,227**	106,984
Underwriting, sub-underwriting, placing and sub-placing commission	**–**	–	**7,423**	10,077	**7,423**	10,077
Arrangement, management, advisory and other fee income	**–**	–	**6,823**	5,520	**6,823**	5,520
Property rental income	**10,419**	13,218	**–**	–	**10,419**	13,218
Management fee income	**1,200**	1,200	**–**	–	**1,200**	1,200
Others	**–**	741	**–**	–	**–**	741
	804,895	618,572	**210,626**	182,037	**1,015,521**	800,609

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

(A) BUSINESS SEGMENTS

For management purposes, the Group is currently organised into three operating divisions including Leisure, Gaming and Entertainment, Technology, and Property and Other Investments. In 2006, the Group also operated Investment and Financial Services Segment. These divisions are the basis on which the Group reports its primary segment information.

The Leisure, Gaming and Entertainment Segment, which mainly comprises provision of catering, entertainment, gaming and related services.

The Technology Segment, which mainly comprises (a) provision of gaming technology consultation services in Macau and (b) development and sale of financial trading and settlement systems in Asia.

The Property and Other Investments Segment, which mainly comprises property investments, other investments and related activities.

8. BUSINESS AND GEOGRAPHICAL SEGMENTS – CONTINUED

(A) BUSINESS SEGMENTS – CONTINUED

The investment and financial services segment was operated through a non-wholly owned subsidiary of the Company, Value Convergence Holdings Limited ("VC"),which mainly comprised (a) provision of corporate finance advisory service, initial public offerings and mergers and acquisition advisory services and (b) broking and dealing for clients in securities, futures and options contracts. As disclosed in note 18, VC was deemed disposed of during 2007. The Investment and Financial Services segment was thus discontinued during the year ended 31 December 2007.

2007

	Continuing Operations					Discontinued Operation			
	Leisure, Gaming and Entertainment HK$'000	**Technology** HK$'000	**Property and Other Investments** HK$'000	**Elimination** HK$'000	**Total** HK$'000	**Investment and Financial Services** HK$'000	**Elimination** HK$'000	**Total** HK$'000	**Consolidated** HK$'000
External sales	125,573	573,496	105,826	–	804,895	210,626	–	210,626	1,015,521
Inter-segment sales	1,150	2,178	10,946	(14,274)	–	483	(483)	–	–
Total revenue	126,723	575,674	116,772	(14,274)	804,895	211,109	(483)	210,626	1,015,521
Segment result	(74,229)	23,282	118,884	(296)	67,641	69,023	(483)	68,540	136,181
Agency fee income					1,232,057			–	1,232,057
Loss (gain) on deemed disposal of partial interests in subsidiaries					(76,948)			37,194	(39,754)
(Loss) gain on deemed disposals of subsidiaries					(143,368)			78,080	(65,288)
Gain on disposal of interests in jointly controlled entities					532,604			–	532,604
Gain on deemed disposal of partial interests in associates					1,549,361			–	1,549,361
Fair value changes on derivative financial instruments					190,126			–	190,126
Finance costs					(76,235)			(19,862)	(96,097)
Share of losses of jointly controlled entities	(157,713)	–	–	–	(157,713)			–	(157,713)
Share of losses of associates									
– Allocated	(527,468)	–	–	–	(527,468)			–	(527,468)
– Unallocated					7,930			–	7,930
Gain on extension of long term payable					9,656			–	9,656
Gain on early redemption of convertible loan notes					8,827			–	8,827
Cost of agency service					(14,551)			–	(14,551)
Unallocated corporate income					13,562			–	13,562
Unallocated corporate expenses					(101,962)			–	(101,962)
Profit before tax					2,513,519			163,952	2,677,471
Income tax credit (expense)					69			(8,877)	(8,808)
Profit for the year					2,513,588			155,075	2,668,663

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

8. BUSINESS AND GEOGRAPHICAL SEGMENTS – CONTINUED

(A) BUSINESS SEGMENTS – CONTINUED

2007

	Leisure, Gaming and Entertainment HK$'000	**Technology** HK$'000	**Property and Other Investments** HK$'000	**Other** HK$'000	**Consolidated** HK$'000
BALANCE SHEET					
Assets					
Segment assets	47,340	396,698	1,814,822	–	2,258,860
Interests in jointly controlled entities	81,119	–	–	–	81,119
Interests in associates	8,426,030	–	–	263,241	8,689,271
Unallocated corporate assets					1,284,929
Consolidated total assets					12,314,179
Liabilities					
Segment liabilities	15,974	227,203	404	–	243,581
Unallocated corporate liabilities					1,729,055
Consolidated total liabilities					1,972,636

2007

	Continuing operations				**Discontinued operation**	
	Leisure, Gaming and Entertainment HK$'000	**Technology** HK$'000	**Property and Other Investments** HK$'000	**Total** HK$'000	**Investment and Financial Services** HK$'000	**Consolidated** HK$'000
OTHER INFORMATION						
Capital additions (Note)	151,359	5,816	20,284	177,459	1,715	179,174
Depreciation	11,039	2,364	5,849	19,252	1,129	20,381
Amortisation of trading rights	–	–	–	–	364	364
Loss on disposal of property, plant and equipment	140	9	172	321	1	322
Allowance for doubtful debts, net	1,095	1,212	–	2,307	88	2,395
Agency fee received	(1,232,057)	–	–	(1,232,057)	–	(1,232,057)

Note: Apart from the capital additions disclosed above, the Group acquired Elixir Gaming Technology, Inc. ("EGT") with goodwill of approximately HK$1,464,150,000, intangible assets of approximately HK$43,787,000 and property, plant and equipment of approximately HK$199,584,000 during the year, where EGT becomes an associate before year ended 31 December 2007 (see note 13(a)).

8. BUSINESS AND GEOGRAPHICAL SEGMENTS – CONTINUED

(A) BUSINESS SEGMENTS – CONTINUED

2006

	Continuing Operations					Discontinued Operation			
	Leisure, Gaming and Entertainment HK$'000	**Technology** HK$'000	**Property and Other Investments** HK$'000	**Elimination** HK$'000	**Total** HK$'000	**Investment and Financial Services** HK$'000	**Elimination** HK$'000	**Total** HK$'000	**Consolidated** HK$'000
External sales	248,960	264,178	105,434	–	618,572	182,037	–	182,037	800,609
Inter-segment sales	1,737	57,393	32,564	(91,694)	–	550	(550)	–	–
Total revenue	250,697	321,571	137,998	(91,694)	618,572	182,587	(550)	182,037	800,609
Segment result	(182,072)	26,336	95,589	(7,395)	(67,542)	59,342	(550)	58,792	(8,750)
Loss on deemed disposal of partial interests in subsidiaries					–			(33)	(33)
Loss on deemed disposal of subsidiaries					(12,140)			–	(12,140)
Gain on formation of a jointly controlled entity					20,000			–	20,000
Gain on deemed disposal of interests in jointly controlled entities					3,102,253			–	3,102,253
Share of losses of jointly controlled entities	(191,835)	–	–	–	(191,835)			–	(191,835)
Unallocated corporate expenses					(68,257)			–	(68,257)
Finance costs					(64,053)			(21,826)	(85,879)
Profit before tax					2,718,426			36,933	2,755,359
Income tax credit (expense)					4,736			(114)	4,622
Profit for the year					2,723,162			36,819	2,759,981

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

8. BUSINESS AND GEOGRAPHICAL SEGMENTS – CONTINUED

(A) BUSINESS SEGMENTS – CONTINUED

2006

	Leisure, Gaming and Entertainment HK$'000	Technology HK$'000	Investment and Financial Services HK$'000	Property and Other Investments HK$'000	Consolidated HK$'000
BALANCE SHEET					
Assets					
Segment assets	68,994	312,362	692,385	1,204,388	2,278,129
Interests in jointly controlled entities	87,901	–	–	–	87,901
Interests in associates	5,802,612	–	–	–	5,802,612
Unallocated corporate assets					1,175,985
Consolidated total assets					9,344,627
Liabilities					
Segment liabilities	16,065	155,295	175,453	508	347,321
Unallocated corporate liabilities					1,335,828
Consolidated total liabilities					1,683,149

2006

	Continuing operations				Discontinued operation	
	Leisure, Gaming and Entertainment HK$'000	Technology HK$'000	Property and Other Investments HK$'000	Total HK$'000	Investment and Financial Services HK$'000	Consolidated HK$'000
OTHER INFORMATION						
Capital additions	878,781	2,783	6,613	888,177	2,060	890,237
Depreciation	51,967	1,701	1,421	55,089	1,440	56,529
Amortisation of service agreements intangible asset and trading rights	9,983	–	–	9,983	506	10,489
Write-down of service agreements intangible asset	90,390	–	–	90,390	–	90,390
Loss on disposal of property, plant and equipment	8,861	–	93	8,954	–	8,954
Allowance for doubtful debts, net	1,743	249	–	1,992	2,980	4,972

8. BUSINESS AND GEOGRAPHICAL SEGMENTS – CONTINUED

(B) GEOGRAPHICAL SEGMENTS

The Leisure, Gaming and Entertainment, Technology, Investment and Financial Services and Property and Other Investments divisions are located in Hong Kong and Macau.

The following is an analysis of the Group's revenue by geographical market based on geographical location of customers, irrespective of the origin of the goods or services.

	2007 HK$'000	2006 HK$'000
Hong Kong	**460,432**	404,299
Macau	**483,814**	396,310
Other Asian countries	**71,275**	–
	1,015,521	800,609

Revenue from the Group's discontinued operation was derived from Hong Kong.

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and hotels and entertainment complex under development and goodwill, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Additions to property, plant and equipment, hotels and entertainment complex under development**	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Hong Kong	**1,934,195**	1,867,788	**33,319**	8,124
Macau	**300,628**	366,637	**1,349**	882,081
Other Asian countries	**24,037**	43,704	**144,506**	32
	2,258,860	2,278,129	**179,174**	890,237

Note: Apart from the capital additions disclosed above, the Group acquired Elixir Gaming Technology, Inc. ("EGT") with goodwill of approximately HK$1,464,150,000, intangible assets of approximately HK$43,787,000, and property, plant and equipment of approximately HK$199,584,000 during the year, where EGT becomes an associate before year ended 31 December 2007 (see note 13(a)).

9. OTHER INCOME

	Continuing operations		Discontinued operation		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Service fees from associates	**12,581**	–	**–**	–	**12,581**	–
Service fee from jointly controlled entities	**–**	5,107	**–**	–	**–**	5,107
Exchange gain, net	**1,861**	9,885	**247**	315	**2,108**	10,200
Financial guarantee income	**13,464**	–	**–**	–	**13,464**	–
Others	**6,233**	3,108	**131**	147	**6,364**	3,255
	34,139	18,100	**378**	462	**34,517**	18,562

10. INVESTMENT INCOME

	Continuing operations		Discontinued operation		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Loss on disposal of held-for-trading investments	**–**	–	**(137)**	–	**(137)**	–
Gain from fair value change of held-for-trading investments	**101**	15	**1,093**	11,284	**1,194**	11,299
Dividend income from unlisted investments	**2,219**	3,244	**–**	–	**2,219**	3,244
Dividend income from listed investments	**520**	415	**–**	–	**520**	415
	2,840	3,674	**956**	11,284	**3,796**	14,958

11. EMPLOYEE BENEFITS EXPENSE

	Continuing operations		Discontinued operation		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Wages, salaries and staff welfare	**165,753**	158,485	**27,840**	28,614	**193,593**	187,099
Sales commission	**394**	400	**77,501**	56,766	**77,895**	57,166
Unutilised annual leave	**143**	545	**–**	1,283	**143**	1,828
Termination benefits	**146**	137	**–**	–	**146**	137
Social security costs	**473**	172	**–**	–	**473**	172
Provision for long service payment	**(177)**	208	**–**	–	**(177)**	208
Retirement benefit scheme contributions	**3,015**	2,512	**815**	1,056	**3,830**	3,568
Forfeiture of retirement benefit scheme contributions	**–**	–	**(25)**	(182)	**(25)**	(182)
Share-based payment employee expense	**9,393**	9,091	**264**	418	**9,657**	9,509
Others	**1,843**	9,260	**592**	518	**2,435**	9,778
Total employee benefits expense including directors' emoluments	**180,983**	180,810	**106,987**	88,473	**287,970**	269,283

12. LOSS ON DEEMED DISPOSAL OF PARTIAL INTERESTS IN SUBSIDIARIES

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

As a result of the above decrease in interests in EGT, the Group then recognised a loss on deemed disposal of partial interests in subsidiaries of approximately HK$76,948,000 (2006: Nil), being the excess of the goodwill attributable in interests over the increase in the net assets of EGT attributable to the Group's interest arising from the deemed disposal.

13. LOSS ON DEEMED DISPOSAL OF SUBSIDIARIES

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

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

13. LOSS ON DEEMED DISPOSAL OF SUBSIDIARIES – CONTINUED

(a) – continued

In consideration of the services to be provided by Elixir and upon achievement of various milestones under the PPA, EGT will allot and issue a maximum of 55,000,000 shares, 88,000,000 warrants and amend the terms of the existing warrants previously issued to Elixir. In September 2007, the Group has achieved certain milestones under the PPA resulting in i) the issuance of 40,000,000 shares ("Second Shares") and 22,000,000 warrants ("Second Warrants") to Elixir; ii) the First Warrants become immediately exercisable and iii) the exercise price of 10,000,000 warrants included in the First Warrants is reduced by US$2.00 where the adjusted exercise price ranged from US$1.00 to US$3.50. The exercise price of the remaining 6,000,000 First Warrants remain US$2.65. As a result of the issuance of Second Shares and Second Warrants, an agency fee income of HK$1,232,057,000 is thus recognised, which represent the fair values of the Second Shares based on the market price of EGT and the Second Warrants determined using binomial model, and EGT then became a subsidiary of the Company. (see note 51 for details)

In October 2007, EGT completed a placement of shares to parties other than the Company. EGT remained a subsidiary of the Company after the completion of EGT placement of shares and the loss on deemed disposal of partial interests in subsidiaries was included in the amount disclosed in note 12.

In December 2007, the Group entered into an agreement ("Disposal Agreement") to dispose of 6,000,000 First Warrants with an exercise price of US$1.00 to US$3.50 plus 10,000,000 Second Warrants to an independent third party ("Purchaser") at a consideration of approximately HK$102,960,000. According to the Disposal Agreement, the First Warrants and Second Warrants are disposed of by the Group subject to the exercise of the First Warrants and Second Warrants by the Purchaser. After the completion of the disposal and exercise of warrants, EGT becomes an associate of the Company. Thereafter, upon exercise of the Second Warrants by the Purchaser, the Group therefore recognised a loss on deemed disposal of subsidiaries of approximately HK$143,368,000 during the year ended 31 December 2007 being the excess of the goodwill attributable to the decrease in interest over the increase in the net assets of EGT attributable to the Group's interest arising from the deemed disposal. After the completion of the Disposal Agreement, the Group had 10,000,000 First Warrants and 12,000,000 Second Warrants with a total fair value of approximately HK$392,908,000, determined using binomial model.

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

During the year ended 31 December 2007, an increase in fair value of approximately HK$190,126,000 regarding the First Warrants and Second Warrants was recognised in the consolidated income statement, which represent the fair value change of the First Warrants from date of purchase to the date that EGT became subsidiary plus the fair value change of First Warrants and Second Warrants from the date that EGT becomes an associate to the year ended 31 December 2007. The fair values of the First Warrants and Second Warrants are determined using binomial model.

13. LOSS ON DEEMED DISPOSAL OF SUBSIDIARIES – CONTINUED

(b) On 4 March 2006, Publishing and Broadcasting Limited ("PBL") entered into an agreement with Wynn Resorts (Macau) S.A. ("Wynn Macau") to acquire a Macau gaming subconcession for the operation of casino games of chance and other casino games in Macau. PBL Asia Limited ("PBL Asia"), a subsidiary of PBL, incorporated a subsidiary, Melco PBL Gaming (Macau) Limited (formerly known as PBL Entertainment (Macau) Limited) ("MPBL Gaming") to acquire the Macau gaming subconcession. PBL invested HK$622,400,000 (US$80,000,000) as share capital of MPBL Gaming in order to finance the acquisition of the Macau gaming subconcession.

Pursuant to a Memorandum of Agreement dated 5 March 2006 and a Supplemental Agreement dated 26 May 2006 entered into between the Company and PBL, PBL agreed to transfer its entire interest in MPBL Gaming to Melco PBL Investment Limited, a wholly-owned subsidiary of Melco PBL Entertainment. In addition, the Company and PBL contributed an amount of approximately HK$1,244,800,000 (US$160,000,000) each with a total of approximately HK$2,489,600,000 (US$320,000,000) to MPBL Gaming through Melco PBL Entertainment.

The HK$2,489,600,000 (US$320,000,000) contributed to Melco PBL Entertainment was then used to subscribe for the 7,200,000 Class B shares of MPBL Gaming. The Class B shares enjoy a right to vote and full participation in any dividends and capital distribution and to participate in a liquidation and enjoy all other economic benefits or rights derived from MPBL Gaming. These transactions were completed in October 2006 and MPBL Gaming became a wholly-owned subsidiary of Melco PBL Entertainment.

In addition, the Company transferred its 20% equity interest in Melco PBL Entertainment (Greater China) Limited ("MPBL (Greater China)"), which was originally owned by the Company's wholly-owned subsidiary, Melco Leisure and Entertainment Group Limited, to Melco PBL International Limited ("MPBL International"), a wholly-owned subsidiary of Melco PBL Entertainment. Hence, MPBL (Greater China) becomes an indirect wholly owned subsidiary of Melco PBL Entertainment.

Furthermore, the Company had agreed to pay an amount of HK$180,000,000 to PBL in consideration of the above arrangements. The consideration payable to PBL is unsecured, non-interest bearing and not repayable within twelve months from 31 December 2006. Subsequently during the year ended 31 December 2007, the repayment for the consideration payable has been extended by PBL so that a gain on extension of long term payable of approximately HK$9,656,000 has been recognised. The amount due to PBL is stated as long term payable on the consolidated balance sheet at amortised cost of approximately HK$168,142,000 as at 31 December 2007 (2006: HK$170,537,000) with effective interest rate of 5.0% (2006: 3.9%).

As a result of the above arrangements, the Company in effect disposed of its 20% equity interest in MPBL (Greater China) to Melco PBL Entertainment, which is a 50/50 joint venture of the Company and PBL, resulting in a loss of 10% equity interest in MPBL (Greater China). The difference between the attributable interest in MPBL (Greater China) and MPBL Gaming and the consideration payable to PBL, amounting to approximately HK$12,140,000, was therefore recognised as loss on deemed disposal of subsidiaries during the year ended 31 December 2006.

14. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Interest on:						
Bank borrowings wholly repayable within five years	**937**	–	**19,862**	21,826	**20,799**	21,826
Obligations under finance leases	**–**	58	**–**	–	**–**	58
Shareholder's loan	**1,780**	623	**–**	–	**1,780**	623
Effective interest expense on convertible loan notes	**62,382**	62,536	**–**	–	**62,382**	62,536
Imputed interest expense on long term payable	**7,261**	836	**–**	–	**7,261**	836
Interest expense to suppliers and others	**3,875**	–	**–**	–	**3,875**	–
	76,235	64,053	**19,862**	21,826	**96,097**	85,879

15. WRITE-DOWN OF SERVICE AGREEMENTS INTANGIBLE ASSET

Subsequent to the entering of an agreement to acquire a gaming subconcession in Macau (see note 13(b)), Mocha Slots Group Limited ("Mocha Slots"), a subsidiary of Melco PBL Entertainment, and Sociedade Jogos de Macau, S.A. ("SJM"), a company in which close family members of a director, Mr. Ho, Lawrence Yau Lung, has direct beneficial interest, had mutually agreed to terminate all the slot lounge service agreements and given the imminent termination of all of these service agreements in contemplation of obtaining the gaming subconcession, the intangible asset relating to these service agreements of Mocha Slots with SJM was written down by approximately HK$90,390,000, with reference to a valuation report provided by an independent qualified professional valuer not connected to the Group. The remaining service agreements intangible asset of approximately HK$9,983,000 was fully amortised during the year ended 31 December 2006.

16. PROFIT BEFORE TAX

	Continuing operations		Discontinued operation		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Profit before tax has been arrived at after charging:						
Auditor's remuneration	**2,400**	2,159	**589**	820	**2,989**	2,979
Allowance for doubtful debts, net	**2,307**	1,992	**88**	2,980	**2,395**	4,972
Loss on disposal of property, plant and equipment	**321**	8,954	**1**	–	**322**	8,954
Cost of agency service	**14,551**	–	**–**	–	**14,551**	–
and after crediting:						
Gross rental income	**10,417**	13,218	**–**	–	**10,417**	13,218
Less: outgoings	**(5,772)**	(5,828)	**–**	–	**(5,772)**	(5,828)
Net rental income	**4,645**	7,390	**–**	–	**4,645**	7,390

17. INCOME TAX (CREDIT) EXPENSE

	Continuing operations		Discontinued operation		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Current tax:						
– Hong Kong	**–**	1,885	**7,196**	1,400	**7,196**	3,285
– Other jurisdictions	**1,473**	4,427	**–**	–	**1,473**	4,427
	1,473	6,312	**7,196**	1,400	**8,669**	7,712
Underprovision in prior years:						
– Hong Kong	**50**	1,127	**–**	–	**50**	1,127
Deferred taxation (note 47)	**(1,592)**	(12,175)	**1,681**	(1,286)	**89**	(13,461)
	(69)	(4,736)	**8,877**	114	**8,808**	(4,622)

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year. Taxation arising in other jurisdictions are calculated at the rate prevailing in the respective jurisdictions.

17. INCOME TAX (CREDIT) EXPENSE – CONTINUED

The charge (credit) for the year can be reconciled to the profit before tax per consolidated income statement as follows:

	2007 HK$'000	2006 HK$'000
Profit before tax:		
Continuing operations	**2,513,519**	2,718,426
Discontinued operation	**163,952**	36,933
	2,677,471	2,755,359
Tax at Hong Kong Profits Tax rate of 17.5%	**468,557**	482,188
Tax effect of share of losses of associates and jointly controlled entities	**118,519**	33,571
Tax effect of expenses not deductible for tax purposes	**63,280**	64,017
Tax effect of income not taxable for tax purposes	**(650,285)**	(594,449)
Underprovision in respect of prior years, net	**50**	1,127
Tax effect of different tax rates of the subsidiaries operating in other jurisdictions	**(1,574)**	(2,029)
Tax effect of unrecognised deferred tax assets	**14,388**	17,592
Utilisation of tax losses previously not recognised	**(4,008)**	(7,679)
Others	**(119)**	1,040
Tax charge (credit) for the year	**8,808**	(4,622)

18. DISCONTINUED OPERATION

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

The first placement was completed in July 2007 where 50,680,000 shares were issued at HK$2.2 per share and the Company's shareholding in VC decreased to about 52.22%. VC remained a subsidiary of the Company after the first placement and the resulting gain on deemed disposal of partial interests in subsidiaries of approximately HK$37,194,000 (2006: loss of HK$33,000), which represent the increase in the net assets of VC attributable to the Group's interest arising from the deemed disposal, was recognised during the year ended 31 December 2007.

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

VC was deemed disposed of during the year and the Investment and Financial Services segment was therefore discontinued and a gain on deemed disposal of subsidiaries of approximately HK$78,080,000 (2006: Nil) was recognised during the year ended 31 December 2007.

18. DISCONTINUED OPERATION – CONTINUED

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

	2007 **HK$'000**	2006 HK$'000
Profit for the year from discontinued operation		
Revenue	**210,626**	182,037
Other and investment income	**1,334**	11,746
Gain (loss) on deemed disposal of partial interests in subsidiaries	**37,194**	(33)
Expenses	**(163,282)**	(156,817)
Profit before tax	**85,872**	36,933
Income tax expense	**(8,877)**	(114)
Profit for the year from discontinued operation	**76,995**	36,819
Gain on deemed disposal of subsidiaries	**78,080**	–
	155,075	36,819
Cash flows from discontinued operation		
Net cash flows used in operating activities	**(1,452,462)**	(57,956)
Net cash flows from investing activities	**612**	2,599
Net cash flows from financing activities	**1,442,633**	54,016
Net cash flows	**(9,217)**	(1,341)

19. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the seven (2006: nine) directors were as follows:

2007

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

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

2006

	Dr. Stanley Ho HK$'000 (Note 1)	Mr. Ho, Lawrence Yau Lung HK$'000 (Note 3)	Mr. Frank Tsui HK$'000	Mr. Clarence Chung HK$'000 (Note 2)	Mr. Ng Ching Wo HK$'000	Sir Roger Lobo HK$'000	Mr. Robert Kwan HK$'000 (Note 1)	Dr. Lo Ka Shui HK$'000	Mr. Sham Sui Leung HK$'000 (Note 2 & 3)	Total HK$'000
Fees	2	–	–	–	380	380	68	280	360	1,470
Other emoluments										
Salaries and other benefits	–	4,813	2,278	1,182	–	–	–	–	–	8,273
Retirement benefit scheme contributions	–	24	12	8	–	–	–	–	–	44
Share-based compensation	–	118	118	499	495	495	–	495	–	2,220
Total emoluments	2	4,955	2,408	1,689	875	875	68	775	360	12,007

Note 1: Dr. Stanley Ho and Mr. Robert Kwan resigned as directors of the Company on 15 March 2006.

Note 2: Mr. Clarence Chung and Mr. Sham Sui Leung were appointed as directors of the Company on 18 May 2006 and 14 June 2006, respectively.

Note 3: Mr. Ho, Lawrence Yau Lung and Mr. Sham Sui Leung were also the directors of Value Convergence Holdings Limited, who received total emoluments of HK$612,000 and HK$195,000 thereof, respectively.

No director waived or agreed to waive any emoluments in the years ended 31 December 2007 and 2006. 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, no share options (2006: 1,300,000 share options) were granted to directors of the Company in respect of their services provided to the Group, further details are set out in note 50.

20. EMPLOYEES' EMOLUMENTS

Of five individuals with the highest emoluments in the Group, one is a director (2006: three directors) of the Company whose emoluments are included in note 19 above. The emoluments of the remaining four (2006: two) individuals were as follows:

	2007 HK$'000	2006 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**28,587**	3,943
Retirement benefit scheme contributions	**36**	19
Share-based compensation	**100**	100
	28,723	4,062

Their emoluments were within the following bands:

	Number of employees	
	2007	2006
HK$1,500,001 to HK$2,000,000	**–**	2
HK$4,500,001 to HK$5,000,000	**2**	–
HK$8,000,001 to HK$8,500,000	**1**	–
HK$11,000,001 to HK$11,500,000	**1**	–
	4	2

21. DIVIDENDS

	2007 HK$'000	2006 HK$'000
Dividend in specie (note 1)	**–**	8,925
Special dividend paid: Nil cents (2006: HK3.7 cents) per share (note 1)	**–**	21,295
2006 final dividend paid: HK1 cent (2005: HK1 cent) per share	**12,282**	11,605
	12,282	41,825

Notes:

(1) In respect to the listing of American Depositary Share ("ADS") of Melco PBL Entertainment on the NASDAQ Stock market in the United States of America ("NASDAQ") on 19 December 2006, a distribution in specie was offered to the shareholders of the Company. Under the distribution in specie, qualifying shareholders holding not less than 4,000 shares whose names appeared in the Register of Members of the Company on the record date for the distribution in specie, which was on 19 December 2006, would be entitled to receive 1 ADS for every whole multiple of 4,000 shares held on the record date. The final offer price of US$19 per ADS was translated into Hong Kong dollars of HK$147.8. A total of 60,392 ADSs amounting to approximately HK$8,925,000 were issued to the shareholders of the Company.

Qualifying shareholders holding not less than 4,000 shares whose names appeared in the register of members of the Company on the record date for the distribution in specie and who had elected to receive a cash payment in lieu of all the ADSs to which they would be entitled to receive an amount of approximately HK$0.037 for every share held by them on the record date for the distribution in specie. Qualifying shareholders holding less than 4,000 shares whose names appeared in the Register of Members of the Company on the record date for the distribution in specie would be entitled to receive a cash payment of approximately HK$0.037 for every share held by them on the record date for the distribution in specie.

(2) On 31 March 2008, the directors of the Company proposed that final dividend for 2007 of HK1 cent per share would be paid to shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting. The proposed dividend for 2007 is payable to all shareholders whose names are on the Register of Members as at 9 May 2008.

22. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Continuing and discontinued operations		Continuing operations	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Earnings				
Earnings for the purpose of basic earnings per share (profit for the year attributable to equity holders of the Company)	**2,690,639**	2,836,755	**2,549,313**	2,806,012
Effect of dilutive potential ordinary shares:				
Interest on convertible loan notes	**62,382**	62,536	**62,382**	62,536
Adjustment to the share of result of a subsidiary based on potential dilution of its earnings per share	**(475)**	(373)	**–**	–
Earnings for the purpose of diluted earnings per share	**2,752,546**	2,898,918	**2,611,695**	2,868,548

	2007 '000	2006 '000	**2007 '000**	2006 '000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,228,241**	1,191,262	**1,228,241**	1,191,262
Effect of dilutive potential ordinary shares:				
Share options	**9,978**	15,278	**9,978**	15,278
Convertible loan notes	**149,306**	181,571	**149,306**	181,571
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,387,525**	1,388,111	**1,387,525**	1,388,111

FROM DISCONTINUED OPERATION

Basic earnings per share for the discontinued operation is HK$0.115 per share (2006: HK$0.026 per share) and diluted earning per share for the discontinued operations is HK$0.102 per share (2006: HK$0.022 per share), based on the profit for the year from the discontinued operations attributable to equity holders of the Company of HK$141,326,000 adjusted by share of result of a subsidiary based on potential dilution of its earnings per share of HK$475,000 (2006: HK$30,743,000 adjusted by share of result of a subsidiary based on potential dilution of its earnings per share of HK$373,000) and the denominators detailed above for both basic and diluted earnings per share.

23. INVESTMENT PROPERTIES

	THE GROUP HK$'000
FAIR VALUE	
At 1 January 2006	85,000
Transfer from prepaid lease payments and buildings	56,940
At 31 December 2006 and 1 January 2007	141,940
Net increase in fair value recognised in the consolidated income statement	10,060
At 31 December 2007	152,000

The carrying value of investment properties shown above comprises:

	2007 **HK'000**	2006 HK'000
Properties in Hong Kong	**85,000**	85,000
Properties in Macau	**67,000**	56,940
	152,000	141,940

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

The fair value of the Group's investment properties at 31 December 2007 and 31 December 2006 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, which follows The HKIS Valuation Standards on Properties (First Edition 2005) published by Hong Kong Institute of Surveyors, was arrived at on the basis of capitalisation of the net income receivable.

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

24. PROPERTY, PLANT AND EQUIPMENT

	Restaurants 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 2006	63,724	4,001	40,203	129,747	159,325	1,334	398,334
Exchange adjustments	–	–	19	24	–	14	57
Additions	–	833	38,960	1,432	75,764	1,722	118,711
Transfer to investment properties	–	(4,694)	–	–	–	–	(4,694)
Disposal of subsidiaries	–	–	(56,569)	(44,247)	(233,241)	(1,175)	(335,232)
Disposals	–	–	(9,063)	(3,650)	(1,165)	–	(13,878)
At 31 December 2006	63,724	140	13,550	83,306	683	1,895	163,298
Exchange adjustments	–	–	8	24	–	26	58
Additions	8,761	–	13,640	18,394	137,338	1,041	179,174
Acquisition of subsidiaries	–	–	3,321	22,869	171,940	1,454	199,584
Disposal of subsidiaries	–	–	(9,196)	(42,182)	(309,080)	(1,666)	(362,124)
Disposals	–	–	(1,797)	(3,040)	–	(60)	(4,897)
At 31 December 2007	72,485	140	19,526	79,371	881	2,690	175,093
ACCUMULATED DEPRECIATION							
At 1 January 2006	39,425	119	12,752	71,610	17,989	288	142,183
Exchange adjustments	–	–	17	17	–	6	40
Provided for the year	3,575	124	8,770	9,023	34,437	600	56,529
Transfer to investment properties	–	(186)	–	–	–	–	(186)
Disposal of subsidiaries	–	–	(8,763)	(9,477)	(51,982)	(246)	(70,468)
Disposals	–	–	(2,832)	(1,503)	(410)	–	(4,745)
At 31 December 2006	43,000	57	9,944	69,670	34	648	123,353
Exchange adjustments	–	–	5	19	–	14	38
Provided for the year	3,688	3	4,174	7,744	4,310	462	20,381
Disposal of subsidiaries	–	–	(4,688)	(14,868)	(4,151)	(33)	(23,740)
Disposals	–	–	(1,733)	(2,807)	–	(35)	(4,575)
At 31 December 2007	46,688	60	7,702	59,758	193	1,056	115,457
CARRYING VALUES							
At 31 December 2007	25,797	80	11,824	19,613	688	1,634	59,636
At 31 December 2006	20,724	83	3,606	13,636	649	1,247	39,945

24. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

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

Restaurants, 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%

At 31 December 2007, the Group's building of approximately HK$80,000 (2006: HK$83,000) is located in Hong Kong under long term lease.

25. OTHER INTANGIBLE ASSETS

	THE GROUP HK$'000
COST	
At 1 January 2006, 1 January 2007	3,839
Acquired on acquisition of subsidiaries	43,787
Disposal of subsidiaries	(45,626)
At 31 December 2007	2,000
IMPAIRMENT	
At 1 January 2006 and 1 January 2007	1,292
Disposal of subsidiaries	(1,292)
At 31 December 2007	–
CARRYING VALUE	
At 31 December 2007	2,000
At 31 December 2006	2,547

	THE COMPANY HK$'000
COST	
At 1 January 2006 and 2007 and 31 December 2007	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.

26. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2007 HK$'000	2006 HK$'000 (Note 1)
Cost of unlisted investments in jointly controlled entities	**225,706**	90,000
Share of post-acquisition loss	**(144,587)**	(2,099)
	81,119	87,901

As at 31 December, 2007, the Group had interests in the following principal jointly controlled entity:

Name	**Place of incorporation/ operation**	**Class shares held**	**Percentage of interest in ownership**	**Principal activities**
Melco PBL SPV Limited ("Melco PBL SPV")	Cayman Islands/ Hong Kong	Ordinary shares	50%	Investment holding

As at 31 December 2006, the Group had interests in the following principal jointly controlled entity:

Name	**Place of incorporation/ operation**	**Class shares held**	**Percentage of interest in ownership** (Notes 1, 2 & 3)	**Principal activities**
PAL Development Limited	Hong Kong/PRC	Ordinary shares	60%	Provision of lottery services in the Asia Pacific Region

The above table list out the jointly controlled entity 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 jointly controlled entities would, in the opinion of directors of the Company, result in particulars of excessive length.

Notes:

(1) During the year ended 31 December 2006, the Group formed a jointly controlled entity with an independent third party where the Group contributed certain cash and intangible assets and the joint venture party contributed certain businesses to the jointly controlled entity. Upon the formation of this jointly controlled entity, the Group then recognised a gain of HK$20,000,000 on the intangible assets contributed with reference to the fair value of the intangible assets as arrived on the basis of a valuation carried out by an independent professional valuer not connected to the Group.

(2) The Group owned 60% interest in PAL Development Limited ("PAL"). Pursuant to certain terms and conditions given in the shareholders agreement, the financial and operating policies of the jointly controlled entity require unanimous approval of the shareholders, as such, it was accounted for as a jointly controlled entity.

(3) During the year ended 31 December 2007, the Group has disposed of its interest in PAL to Power Way Group Limited ("Power Way"), a newly incorporated company, formed by the Group and certain independent third parties (collectively referred as "Shareholders"). On the same date, after the transfer of the interests in PAL and certain subsidiaries (collectively the "Assets") from the Shareholders to Power Way, it then disposed of the Assets to a company independent of the Shareholders ("Wafer") in exchange for certain shares, representing approximately 19% of the total outstanding shares of Wafer and convertible loan note of Wafer. Power Way becomes an associate of the Company (note 27). As a result of the disposal, the difference between carrying amount of the Group's interest in PAL of approximately HK$104,775,000 and the Group's relevant interest in the aggregate fair value of the assets held by Power Way of approximately HK$637,379,000 amounting to approximately HK$532,604,000 is recognised as a gain on disposal of interests in jointly controlled entities during the year ended 31 December 2007. The fair value of the Wafer shares and convertible loan note held by Power Way are determined with reference to the market price of Wafer's shares and by using Black-Scholes pricing model, respectively.

26. INTERESTS IN JOINTLY CONTROLLED ENTITIES – CONTINUED

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

	2007 HK$'000	2006 HK$'000
Total assets	**2,277,593**	183,467
Total liabilities	**(2,115,356)**	(28,897)
Minority interest	**–**	(8,069)
Net assets	**162,237**	146,501
Group's share of net assets of jointly controlled entities	**81,119**	87,901
Revenue	**5,023**	107,740
Loss for the year	**(311,050)**	(382,970)
Group's share of losses of jointly controlled entities for the year	**(157,713)**	(191,835)

27. INTERESTS IN ASSOCIATES

(a) During the year ended 31 December 2006, the Group effectively disposed of its 20% interest in Melco (Greater China) to Melco PBL Entertainment, which was a jointly controlled entity of the Group (see note 13(b)). Subsequently at the end of year 2006, Melco PBL Entertainment has been listed on the NASDAQ through the issuance of ADS resulting in a deemed disposal of jointly controlled entities of the Group. As a result of this deemed disposal, the Company's interest in Melco PBL Entertainment further reduced to approximately 42.34%, Melco PBL Entertainment then became an associate and the Group recognised a gain of approximately HK$3,102,253,000 with reference to the Group's share of net assets of Melco PBL Entertainment immediately before and after the listing of the ADS.

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

27. INTERESTS IN ASSOCIATES – CONTINUED

	2007 HK$'000	2006 HK$'000
Cost of investment in associates		
Listed in the United States of America ("US")	**6,795,754**	5,802,612
Listed in Hong Kong	**255,641**	–
Unlisted	**637,380**	–
Increase in share of net assets of associates upon deemed disposal of partial interests in associates	**1,549,361**	–
Share of exchange and hedging reserves	**(29,327)**	–
Share of post-acquisition results	**(519,538)**	–
	8,689,271	5,802,612
Fair value of listed investments (note a)	**16,521,660**	27,567,133

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

Name	Place of incorporation/ operation	Class shares held	Percentage of interest in ownership	Principal activities
Melco PBL Entertainment (Note b)	Cayman Islands/ Macau	Ordinary shares	37.85%	Operating of electronic gaming machine lounges, casino games of chance and other casino games and hotel business in Macau
VC	Hong Kong/ Hong Kong	Ordinary shares	43.50%	Provision of financial and investment services
Melco China Resort Investment Limited	Cayman Islands/ PRC	Ordinary shares	45%	Operating of ski resorts in People's Republic of China
Power Way	British Virgin Islands/ Hong Kong	Ordinary shares	54.79% (Note c)	Investment holding
EGT (Note d)	US/US	Ordinary shares	39.86%	Provision of electronic gaming machines to gaming operators in the Asian Pacific Region

27. INTERESTS IN ASSOCIATES – CONTINUED

Note:

(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 ADS of Melco PBL Entertainment are listed on the NASDAQ.

(c) The Group holds 54.79% 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) The shares of EGT are listed on American Stock Exchange.

As at 31 December 2006, the Group had interests in the following principal associate:

Name	**Place of incorporation/ operation**	**Class shares held**	**Percentage of interest in ownership**	**Principal activities**
Melco PBL Entertainment	Cayman Islands/ Macau	Ordinary shares	42.34%	Investment holding

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.

Included in the cost of investment in associates is goodwill of approximately HK$738,099,000 (2006: Nil) arising on acquisition of a subsidiary, EGT, which then becomes an associate of the Group during the year ended 31 December 2007. This amount of goodwill is determined based on fair values of EGT's assets and liabilities which were determined on a professional basis.

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

	2007 HK$'000	2006 HK$'000
Total assets	**31,090,150**	16,042,332
Total liabilities	**(10,736,463)**	(2,337,369)
Net assets	**20,353,687**	13,704,963
Group's share of net assets of associates	**7,951,172**	5,802,612
Revenue	**3,119,618**	–
Loss for the year	**(1,244,840)**	–
Group's share of results of associates for the year	**(519,538)**	–

Note: No revenue, loss for the year and the Group's share of results of associates for 2006 are presented as Melco PBL Entertainment became an associate of the Group near the end of 2006.

28. INVESTMENT IN SUBSIDIARIES

	THE COMPANY	
	2007 **HK$'000**	2006 HK$'000
Unlisted shares, at cost	**966,495**	629,849

Details of the Company's principal subsidiaries at 31 December 2007 are set out in note 59.

29. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2007 **HK$'000**	2006 HK$'000
Unlisted equity securities, at cost (Note)	**19,837**	19,837
Equity securities listed in Hong Kong	**136,500**	–
	156,337	19,837

Note: The amount represents unlisted equity investment for which the fair value cannot be reliably measured because the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

30. TRADING RIGHTS

	THE GROUP HK$'000
COST	
At 1 January 2006 and 2007	5,066
Disposal of a subsidiary	(5,066)
At 31 December 2007	–
AMORTISATION	
At 1 January 2006	2,787
Provided for the year	506
At 1 January 2007	3,293
Provided for the year	364
Disposal of a subsidiary	(3,657)
At 31 December 2007	–
CARRYING VALUE	
At 31 December 2007	–
At 31 December 2006	1,773

Trading rights represent rights to trade on the Stock Exchange and Hong Kong Futures Exchange Limited ("HKFE"). They are stated at cost and amortised using the straight-line method over its estimated useful life of 10 years from 6 March 2000, the effective day of the merger of the Stock Exchange, HKFE and Hong Kong Securities Clearing Company Limited.

31. GOODWILL

	THE GROUP HK$'000
At 1 January 2006	299,088
Realised upon deemed disposal of partial interests in subsidiaries	(11,554)
Disposals of subsidiaries (note 52)	(270,656)
At 1 January 2007	16,878
Acquired on acquisition of a subsidiary	1,464,150
Deemed disposal of partial interests in subsidiaries	(248,518)
Disposals of subsidiaries (note 52)	(1,223,955)
At 31 December 2007	8,555

Particulars regarding impairment testing on goodwill are disclosed in note 32.

32. IMPAIRMENT TESTING ON GOODWILL

THE GROUP

As explained in Note 8, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill with indefinite useful lives set out in note 31 have been allocated to the individual cash generating units (CGU). The carrying amount of goodwill as at 31 December 2007 allocated to these units are as follows:

	Goodwill	
	2007 HK$'000	2006 HK$'000
Investment and Financial Services – brokerage and banking business	**–**	8,323
Technology – software business	**8,555**	8,555
	8,555	16,878

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

The recoverable amount of the above CGU has been determined on the basis of value in use calculations. The recoverable amount are based on certain similar key assumptions. 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 CGU, and a discount rate of approximately 16% (2006: 8% – 10%). The cash flows beyond the 3-year period are extrapolated using a zero growth rate for an indefinite period. Another key assumption is the budgeted revenue which is determined based on the CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the above CGU to exceed the aggregate recoverable amount of the above CGU.

33. LONG TERM DEPOSITS

THE GROUP

As at 31 December 2006, amounts represent deposits with various exchanges and clearing houses.

34. TRADE RECEIVABLES

	THE GROUP	
	2007 HK$'000	2006 HK$'000
Trade receivables (excluding receivables balance arising from margin clients' securities transactions) (Notes a, b & c)	**263,015**	367,143
Allowance for doubtful receivables	**(3,310)**	(9,700)
	259,705	357,443
Trade receivables arising from margin clients' securities transactions (Note c)	**–**	305,511
	259,705	662,954

The aged analysis of trade receivables net of allowance for doubtful debts (excluding receivables balance arising from margin clients' securities transactions) is as follows:

	THE GROUP	
	2007 HK$'000	2006 HK$'000
Within 30 days	**200,792**	291,026
31 – 90 days	**7,665**	37,535
Over 90 days	**51,248**	28,882
	259,705	357,443

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 Segment are due immediately from date of billing but the Group will generally grant a normal credit period of 30 days on average to its customers.

(c) As a result of the deemed disposal of VC upon completion of its placement in 2007 (Note 18), trade receivables arising from the ordinary course of business of broking in securities and equity options transactions and dealing in futures and options in the Investment and Financial Services Segment as at 31 December 2007 was nil (2006: HK$588,236,000). The settlement terms of the trade receivables arising from the ordinary course of business of broking in securities and equity options transactions are usually two trading days after the trade date of the those transactions; and the trade receivables arising from the ordinary course of business of dealing in futures and options contracts transactions are generally due on demand.

Loans to margin clients are secured by clients' pledged securities, repayable on demand and bear interest at commercial rates. The decision for rate changes is on management's discretion subject to notification to clients. Securities are assigned with specific margin ratios for calculating their margin values. Loans granted to securities margin clients are further subject to the discounted value of securities deposited with reference to these specific margin ratios. Additional funds or collateral are required if the loan outstanding exceeds the eligible margin value of securities deposited. As at 31 December 2007, the total market value of securities pledged as collateral in respect of the loans to margin clients was nil (2006: HK$2,435,797,000). No aging analysis on margin clients' receivables was disclosed as an aging analysis was not meaningful in view of the nature of the business of securities margin financing.

34. TRADE RECEIVABLES – CONTINUED

Before accepting any new customer, the Group assesses the potential customer's credit quality by respective sales team and defines credit limit by customer. 73% of the trade receivables that are neither past due nor impaired have the best credit quality attributable under the credit assessment system used by the Group. Included in the Group's trade receivables balance are debtors with a carrying amount of HK$66,491,000 (2006: HK$60,744,000) which are past due over their credit terms for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

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

	2007 **HK$'000**	2006 HK$'000
Within 30 days	**8,786**	5,767
31-90 days	**7,540**	30,592
Over 90 days	**50,165**	24,385
Total	**66,491**	60,744

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

MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL DEBTS

	2007 **HK$'000**	2006 HK$'000
Balance at the beginning of the year	**9,700**	6,730
Impairment recognised	**2,395**	4,972
Amounts written off as uncollectible	**–**	(2,002)
Disposal of a subsidiary	**(8,785)**	–
Balance at the end of the year	**3,310**	9,700

35. INVENTORIES

	THE GROUP	
	2007 **HK$'000**	2006 HK$'000
Food and beverages	**1,002**	1,164
Consumables	**3,262**	2,296
Merchandise	**21,500**	58,016
	25,764	61,476

36. HELD-FOR-TRADING INVESTMENTS

THE GROUP

Held-for-trading investments as at 31 December 2007 represents equity securities listed in Hong Kong of approximately HK$430,000 (2006: HK$14,503,000).

37. DERIVATIVE FINANCIAL INSTRUMENTS

THE GROUP

As a result of a series of transactions with EGT (note 13(a)), the Group subscribed certain warrants issued by EGT which are recognised as derivative financial instruments. As at 31 December 2007, the Group had 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 2007, fair value of the warrants amounted to approximately HK$223,626,000 (2006: Nil) and was recognised as derivative asset in the consolidated balance sheet.

The fair value of the warrants at 31 December 2007 were calculated using the binominal model carried out on that date by Sallmanns (Far East) Limited, independent qualified professional valuers not connected with the Group. The inputs into the model were as follows:

Expected volatility	53%
Risk-free rate	3.29%
Dividend yield	Nil

38. AMOUNTS DUE FROM (TO) JOINTLY CONTROLLED ENTITIES/ASSOCIATES

THE GROUP

Included in amounts due from associates are i) amount due from an associate of approximately HK$578,578,000 (2006: HK$578,578,000) which is unsecured, interest bearing at HIBOR rate and not repayable within twelve months from the balance sheet date and ii) amount of approximately HK$241,900,000 (2006: Nil) which is unsecured, interest bearing at HIBOR plus 1.25% to 2% and repayable upon written notice given from the Company. The remaining amounts due from jointly controlled entities/ associates are unsecured, non-interest bearing and repayable on demand.

THE COMPANY

Included in amounts due from associates are amounts of approximately HK$241,900,000 (2006: Nil) which are unsecured, interest bearing at HIBOR plus 1.25% to 2% and repayable upon written notice given from the Company. The remaining amounts due from (to) associates are unsecured, non-interest bearing and repayable on demand.

39. AMOUNTS DUE FROM (TO) SUBSIDIARIES

THE COMPANY

At 31 December 2006, included in amounts due from subsidiaries is loan to a subsidiary, which becomes an associate during the year ended 31 December 2007, of HK$241,900,000 of VC which is unsecured, interest bearing at HIBOR plus 1.25% to 2% per annum and repayable upon written notice given from the Company. Other amounts due from subsidiaries at 31 December 2006 and all these amounts at 31 December 2007 are unsecured, interest free and repayable after one year. Deemed interest income from amounts due from subsidiaries is arrived from with an effective interest rate of 3.5%, which is the Group's borrowing rate of similar term. Amounts due to subsidiaries are unsecured, interest fee and repayable on demand.

40. PLEDGED OF ASSETS

THE GROUP AND THE COMPANY

At 31 December 2007, the Group's bank deposit and investment properties amounting to approximately HK$947,000 and HK$85,000,000 were pledged for obtaining the banking facilities for a subsidiary of the Group (2006: HK$947,000 and HK$85,000,000).

The deposits carry fixed interest rate of about 3.15% (2006: 4%) per annum.

Also, as at 31 December 2007, the Company placed a bank deposit of HK$972,500,000 (equivalent to US$125,000,000) (2006: Nil) for an undertaking in connection with the loan facilities obtained by Melco PBL Entertainment (see note 55).

41. BANK BALANCES AND CASH

THE GROUP AND THE COMPANY

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 carry interest rate at about 2% (2006: 2%).

Before VC become an associate in September 2007, from the Group's ordinary business, it acts as a trustee and in other fiduciary capacities that result in the holding of clients' monies on behalf of clients and other institutions. These assets are not assets of the Group and, therefore, are not included in its consolidated balance sheet. As at 31 December 2006, the Group maintained segregated accounts with HKFE Clearing Corporation Limited and the authorised institutions in conjunction with its future and brokerage businesses as a result of its normal business transactions with amounts of approximately HK$2,697,000 and HK$551,852,000 respectively, which are not otherwise dealt with in the financial statements.

42. TRADE PAYABLES

An aged analysis of trade payables as at the balance sheet date, based on payment due date, is as follows:

	THE GROUP	
	2007 **HK$'000**	2006 HK$'000
Within 30 days	**125,781**	82,285
31-90 days	**3,406**	3,973
Over 90 days	**33,342**	27,215
	162,529	113,473
Trade payables arising from the ordinary course of business of dealing in securities transactions (Note)	–	157,260
	162,529	270,733

Note: The settlement terms of trade payables arising from the ordinary course of business of dealing in securities transactions for the Investment and Financial Services Segment are usually two trading days after trade date. As a result of the deemed disposal of VC upon completion of its placement in 2007 (Note 18), trade payable arising from the ordinary course of business of dealing in securities transactions become nil (2006: HK$270,733,000). These trade payables were repayable on demand and aged within 30 days.

43. FINANCIAL GUARANTEE LIABILITY

THE GROUP AND THE COMPANY

On 30 July 2007, the Company and PBL formed a 50:50 joint venture, Melco PBL 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 ADS of Melco PBL 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, were issued which will mature in September 2012 and have been listed on the Singapore Stock Exchange. The Exchangeable Bonds are jointly and severally guaranteed by the 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 PBL SPV.

During the year ended 31 December 2007, approximately HK$13,464,000 is amortised as financial guarantee income included in other income of the consolidated income statement. As at 31 December 2007, the carrying amount of the financial guarantee liability is approximately HK$212,242,000 of which approximately HK$45,217,000 is shown as current liability and the remaining amount of approximately HK$167,025,000 is shown as non-current liability. As at 31 December 2007, the directors of the Company consider that there is no event that leads to the recognition of additional provision in respect of the guarantee granted.

The fair value of the financial guarantee at initial recongition is calculated using the binominal model and the inputs into the model were as follows:

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

44. BANK BORROWINGS – DUE WITHIN ONE YEAR

THE GROUP AND THE COMPANY

The amount represents short-term bank borrowings of HK$80,000,000 (2006: HK$49,000,000) which is repayable within one year and unsecured. As at 31 December 2006, one of the subsidiary of the Company provided a corporate guarantee for these facilities. The interest rates for the loans are HIBOR plus 0.75% (2006: HIBOR plus a spread), thus exposing the Company and the Group (2006: the Group) to cash flow interest rate risk. The terms of the facilities are generally renewed annually.

45. SHAREHOLDER'S LOAN

THE GROUP AND THE COMPANY

The amount is unsecured, interest bearing at prime rate plus 3% and repayable within twelve months from the balance sheet date.

46. CONVERTIBLE LOAN NOTES

THE GROUP AND THE COMPANY

On 9 November 2004, the Company issued a convertible loan note due on 8 November 2009 with a principal amount of HK$100,000,000, which is interest-bearing at 4% per annum. In addition, on 8 February 2005, the Company has also issued another convertible loan note due on 7 February 2010 with a principal amount of HK$56,000,000, which is also interest bearing at 4% per annum. Both convertible loan notes were issued for the purpose of developing a land consisting of hotel and entertainment complex with casino and electronic gaming machine lounge.

The convertible loan note due on 8 November 2009 is convertible into fully paid ordinary shares of HK$0.5 each, of the Company at a conversion price of HK$2 per share convertible in the period, commencing 3 years from the date of issuance until, and including, the maturity date which is 8 November 2009. The Group has exercised the early redemption option and early redeemed the convertible loan note in full on 30 June 2007.

The convertible loan note due on 7 February 2010 is convertible into fully paid ordinary shares of HK$0.5 each, of the Company at a conversion price of HK$4.1 per share convertible in the period, commencing 3 years from the date of issuance until, and including, the maturity date which is 7 February 2010. The Group has exercised the early redemption option and early redeemed the convertible loan note in full on 30 June 2007.

A gain on early redemption of convertible loan note of approximately HK$8,827,000 (2006: Nil) is recognised during the year ended 31 December 2007.

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) convertible 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 notes contain two components, liability and equity elements. The equity element is presented in equity heading "convertible loan notes equity reserve". At 31 December 2007, the effective interest rate of the liability component is 6.25% (2006: 4.5% – 6.25%).

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

	2007 **HK$'000**	2006 HK$'000
Carrying amounts at the beginning of the year	**1,093,459**	1,037,163
Redemption of convertible loan notes	**(153,349)**	–
Interest on convertible loan notes (Note 14)	**62,382**	62,536
Interest paid	**(3,093)**	(6,240)
Carrying amounts at the end of the year shown as non-current liabilities	**999,399**	1,093,459

47. DEFERRED TAX ASSETS

THE GROUP

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

	THE GROUP		
	Accelerated tax depreciation HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At 1 January 2006	(75,382)	12,149	(63,233)
Disposal of subsidiaries (Note 52)	52,553	–	52,553
Credit to consolidated income statement for the year	12,567	894	13,461
At 1 January 2007	(10,262)	13,043	2,781
Disposal of subsidiaries (Note 52)	–	(1,100)	(1,100)
(Charge) credit to consolidated income statement for the year	(1,325)	1,236	(89)
At 31 December 2007	(11,587)	13,179	1,592

As at the balance sheet date, the Group has unused tax losses of approximately HK$279,550,000 (2006: HK$326,930,000). A deferred tax asset has been recognised in respect of HK$75,306,000 (2006: HK$74,531,000) to the extent that realisation of the related tax benefit through future taxable profit is probable. A deferred tax asset is recognised on the consolidated balance sheet in view that the relevant subsidiary in the Technology Segment (2006: Investment and Financial Services 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 losses of HK$3,184,000, HK$8,268,000 and HK$5,996,000 that will expire in 2008, 2009 and 2010 respectively. All other losses may be carried forward indefinitely.

THE COMPANY

As at 31 December 2007, the Company has approximately HK$1,109,000 (2006: Nil) 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.

48. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2007	2006	**2007 HK$'000**	2006 HK$'000
Authorised:				
At the beginning of the year of HK$0.5 each (2006: HK$0.5 each)	**1,400,000,000**	1,400,000,000	**700,000**	700,000
Increase in authorised ordinary share capital (note a)	**600,000,000**	–	**300,000**	–
At the end of the year of HK$0.5 each	**2,000,000,000**	1,400,000,000	**1,000,000**	700,000
Issued and fully paid:				
At the beginning of the year of HK$0.5 each (2006: HK$0.5 each)	**1,228,150,716**	1,125,838,540	**614,075**	562,919
Issue of shares (notes b and c)	**–**	85,822,222	**–**	42,911
Exercise of shares options	**325,000**	16,489,954	**163**	8,245
At the end of the year of HK$0.5 each	**1,228,475,716**	1,228,150,716	**614,238**	614,075

Notes:

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

(b) On 1 March 2006, 22,222,222 ordinary shares of HK$0.5 each were issued which form part of the consideration for acquisition of additional interest in a subsidiary upon the actual date of grant of the concession of a piece of land by the Macau Government.

(c) In 2006, in order to finance the Group's expansion and general operations, the Company issued 63,600,000 ordinary shares of HK$0.5 each for a consideration of HK$19.1 per share. The shares was issued on 2 June 2006 to independent investors. The new shares rank pari passu with the existing shares in all respects.

49. RESERVES

	Share premium HK$'000	Issuable shares HK$'000 (Note 1)	Capital reserve HK$'000 (Note 2)	Convertible loan notes equity reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
THE COMPANY							
At 1 January 2006	1,776,248	196,667	337,841	327,677	7,752	(212,941)	2,433,244
Loss for the year	–	–	–	–	–	(10,819)	(10,819)
Issue of shares	1,182,960	–	–	–	–	–	1,182,960
Share issuance expenses	(40,025)	–	–	–	–	–	(40,025)
Exercise of share options	16,084	–	–	–	–	–	16,084
Recognition of equity – settled share based payment	–	–	–	–	9,091	–	9,091
Transfer to share premium upon exercise of share options	4,117	–	–	–	(4,117)	–	–
Shares issued on acquisition of additional interest in a subsidiary	185,556	(196,667)	–	–	–	–	(11,111)
Dividend paid	–	–	(41,825)	–	–	–	(41,825)
At 31 December 2006	3,124,940	–	296,016	327,677	12,726	(223,760)	3,537,599
Profit for the year	–	–	–	–	–	100,036	100,036
Exercise of share options	432	–	–	–	–	–	432
Recognition of equity – settled share based payment	–	–	–	–	9,393	–	9,393
Transfer to share premium upon exercise of share options	113	–	–	–	(113)	–	–
Transfer of share option reserve upon expiry of share options	–	–	–	–	(48)	48	–
Early redemption of convertible loan notes	–	–	–	(20,424)	–	8,946	(11,478)
Dividend paid	–	–	(12,282)	–	–	–	(12,282)
At 31 December 2007	3,125,485	–	283,734	307,253	21,958	(114,730)	3,623,700

49. RESERVES – CONTINUED

Note 1: The issuable shares as at 1 January 2006 form part of the consideration for acquisition of additional interest in a subsidiary which would be issued on the actual date of grant of the concession of a piece of land by the Macau Government. The land was officially granted by the Macau Government on 1 March 2006 and the Company then allotted and issued the 22,222,222 shares accordingly.

Note 2: 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.

50. 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. Eligible participants of the Scheme included the Company's directors (including independent non-executive directors), executives, employees, consultants, professionals and other advisers of the Group. The Scheme became effective on 8 March 2002 following its approval by the Company's shareholders at an extraordinary general meeting on the same date and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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 the 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 2007, a total of 92,303,854 shares of the Company (representing approximately 7.51% of the existing issued share capital of the Company) are available for issue 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 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 offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of grant.

50. SHARE OPTION SCHEME – CONTINUED

The exercise price in relation to each option shall be determined by the Board of Directors of the Company 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 Stock Exchange's daily quotations sheet on the date when an option is offered; (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 on which an option is offered; and (iii) the nominal value of a share of the Company on the date of the offer of an option.

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

The following share options were outstanding under the Scheme during the year ended 31 December 2007:

Category of participant	Outstanding at 1.1.2006	Reclassification during the year	Granted during the year	Exercised during the year[3]	Outstanding at 31.12.2006	Reclassification during the year	Exercised during the year[3]	Lapsed during the period	Outstanding at 31.12.2007	Date of grant of share options	Share price at date of grant of share options	Exercise price of share options
Directors	32,612	–	–	(32,612)	–	–	–	–	–	8 March 2002	HK$0.41	HK$0.5
Directors	3,600,000	500,000	–	(4,100,000)	–	–	–	–	–	19 February 2004	HK$1.175	HK$1.2025
Directors[4]	–	280,000	–	(140,000)	140,000	–	–	–	140,000	17 September 2004	HK$1.6875	HK$1.6875
Directors[5]	–	200,000	–	–	200,000	–	–	–	200,000	1 February 2005	HK$7.4	HK$7.4
Directors[6]	–	–	400,000	–	400,000	–	–	–	400,000	13 February 2006	HK$11.75	HK$11.8
Directors[7]	–	–	900,000	–	900,000	–	–	–	900,000	3 April 2006	HK$15.7	HK$15.87
Sub-total	3,632,612	980,000	1,300,000	(4,272,612)	1,640,000	–	–	–	1,640,000			
Employees	2,055,340	–	–	(2,055,340)	–	–	–	–	–	13 September 2002	HK$0.5534	HK$0.5534
Employees	8,220,000	(2,000,000)	–	(6,220,000)	–	–	–	–	–	19 February 2004	HK$1.175	HK$1.2025
Employees[8]	2,668,000	(1,180,000)	–	(468,000)	1,020,000	(400,000)	–	–	620,000	17 September 2004	HK$1.6875	HK$1.6875
Employees[9]	2,059,400	(1,000,000)	–	(474,000)	585,400	380,000	(25,000)	(35,000)	905,400	1 February 2005	HK$7.4	HK$7.4
Employees[10]	–	(1,200,000)	4,600,000	–	3,400,000	650,000	–	–	4,050,000	13 February 2006	HK$11.75	HK$11.8
Sub-total	15,002,740	(5,380,000)	4,600,000	(9,217,340)	5,005,400	630,000	(25,000)	(35,000)	5,575,400			
Others[14]	–	–	–	–	–	–	–	–	–	13 September 2002	HK$0.5534	HK$0.5534
Others[14]	1,000,000	1,500,000	–	(2,300,000)	200,000	–	(200,000)	–	–	19 February 2004	HK$1.175	HK$1.2025
Others[11, 14]	9,000,000	900,000	–	(300,000)	9,600,000	400,000	(100,000)	–	9,900,000	17 September 2004	HK$1.6875	HK$1.6875
Others[12, 14]	–	800,000	–	(400,000)	400,000	(380,000)	–	–	20,000	1 February 2005	HK$7.4	HK$7.4
Others[13, 14]	–	1,200,000	–	–	1,200,000	(650,000)	–	–	550,000	13 February 2006	HK$11.75	HK$11.8
Sub-total	10,000,000	4,400,000	–	(3,000,000)	11,400,000	(630,000)	(300,000)	–	10,470,000			
Total	28,635,352	–	5,900,000	(16,489,952)	18,045,400	–	(325,000)	(35,000)	17,685,400			
Exercisable at the end of the year					10,700,000				10,375,000			

50. SHARE OPTION SCHEME – CONTINUED

Notes:

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

2. As at 31 December 2007, the Company had 17,685,400 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 17,685,400 additional ordinary shares of the Company and additional share capital of approximately HK$8,842,700 and share premium of approximately HK$90,757,010 before issue expenses.

3. 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$14.61.

4. At 31 December 2007, 140,000 options may be exercised during the period from 17 March 2008 to 7 March 2012.

5. At 31 December 2007, 200,000 options may be exercised during the period from 17 September 2009 to 7 March 2012.

6. Among 400,000 options as at 31 December 2007, 130,000 options may be exercised during the period from 1 April 2008 to 31 January 2016, 130,000 options may be exercised during the period from 1 April 2010 to 31 January 2016, and 140,000 options may be exercised during the period from 1 April 2012 to 31 January 2016.

7. Among 900,000 options as at 31 December 2007, 300,000 options may be exercised during the period from 3 April 2008 to 2 April 2016, 300,000 options may be exercised during the period from 3 April 2010 to 2 April 2016 and 300,000 options may be exercised during the period from 3 April 2012 to 2 April 2016.

8. Among 620,000 options as at 31 December 2007, 170,000 options may be exercised during the period from 17 March 2005 to 7 March 2012, 250,000 options may be exercised during the period from 17 September 2005 to 7 March 2012, 110,000 options may be exercised during the period from 17 September 2006 to 7 March 2012 and 90,000 options may be exercised during the period from 17 March 2008 to 7 March 2012.

9. Among 905,400 options as at 31 December 2007, 45,000 options may be exercised during the period from 17 September 2006 to 7 March 2012, and 860,400 options may be exercised during the period from 17 March 2008 to 7 March 2012.

10. Among 4,050,000 options as at 31 December 2007, 1,240,000 options may be exercised during the period from 1 April 2008 to 31 January 2016, 1,235,000 options may be exercised during the period from 1 April 2010 to 31 January 2016, 1,225,000 options may be exercised during the period from 1 April 2012 to 31 January 2016, 113,000 options may be exercised during the period from 3 April 2008 to 31 January 2016, 113,000 options may be exercised during the period from 3 April 2010 to 31 January 2016 and 124,000 options may be exercised during the period from 3 April 2012 to 31 January 2016.

11. Among 9,900,000 options as at 31 December 2007, 4,800,000 options may be exercised during the period from 17 March 2005 to 7 March 2012, 4,900,000 options may be exercised during the period from 17 September 2005 to 7 March 2012, 100,000 options may be exercised during the period from 17 September 2006 to 7 March 2012 and 100,000 options may be exercised during the period from 17 March 2008 to 7 March 2012.

12. At 31 December 2007, 20,000 options may be exercised during the period from 17 March 2008 to 7 March 2012.

13. Among 550,000 options as at 31 December 2007, 160,000 options may be exercised during the period from 1 April 2008 to 31 January 2016, 165,000 options may be exercised during the period from 1 April 2010 to 31 January 2016 and 225,000 options may be exercised during the period from 1 April 2012 to 31 January 2016.

14. Others represents share options granted to former directors and employees of the Group.

During the year ended 31 December 2006, options were granted on 13 February 2006 and 3 April 2006. The estimated fair values of the options granted on those dates is approximately HK$25,803,000 and HK$7,045,000 respectively. The weighted average fair value of option granted during the year ended 31 December 2006 is HK$5.6.

50. SHARE OPTION SCHEME – CONTINUED

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	Share options grant date	
	3 April 2006	**13 February 2006**
Exercise price	HK$15.87	HK$11.8
Expected volatility	58.37%	48.27%
Expected life	2.5 – 6.5 years	2.6 – 6.6 years
Risk-free rate	4.331% – 4.545%	4.135% – 4.229%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 100 days. 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$9,393,000 and HK$9,657,000, respectively for the year ended 31 December 2007 (2006: HK$9,091,000 and HK$9,509,000, respectively) 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.

51. ACQUISITION OF SUBSIDIARIES

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

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

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

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

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

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

Note: Subsequently, in December 2007, as described in note 13(a), EGT became an associate of the Group. As at that date, the fair value of the assets and liabilities were determined on a provisional basis, awaiting the receipt of professional valuations.

52. DEEMED DISPOSAL OF SUBSIDIARIES

As disclosed in note 13(a) and 18, EGT and VC were deemed disposed of during the year ended 31 December 2007. The net assets of EGT and VC at the date of disposal were as follows:

	HK$'000
NET ASSETS DISPOSED OF:	
Property, plant and equipment	338,385
Other intangible assets	44,334
Long term deposits	3,057
Trading rights	1,409
Deferred tax assets	1,100
Trade and other receivables	1,922,116
Inventories	13,122
Held-for-trading investments	13,564
Bank balances and cash	273,401
Trade and other payables	(549,804)
Taxation payables	(9,219)
Bank borrowings	(1,131,146)
Amounts due to group companies	(32,435)
Loan from the Company	(241,900)
	645,984
Minority interests	(339,942)
Interest attributable to warrant holders	(258,079)
Net assets attributable to interests disposal of	47,963
Attributable goodwill	1,223,955
	1,271,918
Loss on deemed disposal	(65,288)
Total consideration	1,206,630
Satisfied by:	
Interests in associates	1,103,670
Cash received	102,960
	1,206,630
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(273,401)
Less: Cash received	102,960
	(170,441)

52. DEEMED DISPOSAL OF SUBSIDIARIES – CONTINUED

The impact of VC disposed of on the Group's results and cash flows in the current and prior year are disclosed in note 18.

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

As disclosed in note 13(b), the Company disposed of its interests in MPBL (Greater China) during the year ended 31 December 2006. The net assets of MPBL (Greater China) at the date of disposal were as follows:

	HK$'000
NET ASSETS DISPOSED OF:	
Property, plant and equipment	264,764
Hotels and entertainment complex under development	2,800,622
Trademark	23,637
Trade and other receivables	47,361
Inventories	1,677
Bank balances and cash	53,446
Amount due from a related company	951
Trade and other payables	(243,534)
Amounts due to related companies	(13,276)
Taxation payables	(2,538)
Obligation under finance lease	(141)
Shareholder's loan	(45,708)
Deferred tax liabilities	(52,553)
Amount due to the Company	(990,852)
Amount due to a minority shareholder	(110,528)
Minority interests	(518,550)
	1,214,778
Attributable goodwill	270,656
	1,485,434
Loss on disposal	(12,140)
Total consideration	1,473,294
Satisfied by:	
Interests in jointly controlled entities	1,642,995
Amount due to PBL (note 13(b))	(169,701)
	1,473,294
Net cash outflow arising on disposal:	
Bank balances and cash disposal of	(53,446)

During the year ended 31 December 2006, MPBL (Greater China) contributed revenue of approximately HK$140,207,000, loss for the year of approximately HK$152,108,000 and net cash outflow of approximately HK$96,271,000.

53. MAJOR NON-CASH TRANSACTIONS

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

54. OPERATING LEASES

(A) THE GROUP AS LESSEE

Minimum lease payments under operating leases during the year in respect of office premises an approximately HK$20,709,000 (2006: HK$31,552,000).

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2007 **HK$'000**	2006 HK$'000
Within one year	**21,002**	23,284
In the second to fifth year inclusive	**18,114**	24,035
Over five years	**3,396**	–
	42,512	47,319

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for a term ranging from 2 to 6 years.

(B) THE GROUP AS LESSOR

At 31 December 2007, 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 six years. At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments.

	THE GROUP	
	2007 **HK$'000**	2006 HK$'000
Within one year	**8,616**	9,099
In the second to fifth year inclusive	**8,780**	13,237
Over five years	**1,751**	3,501
	19,147	25,837

The Company had no significant operating leases at the balance sheet date.

55. CONTINGENT LIABILITIES

THE GROUP AND THE COMPANY

At 31 December 2007, the Company provides a total guarantee of approximately HK$8,453,000 (2006: HK$12,603,000) to a supplier and an insurance company in respect of the goods purchased and service provided by its subsidiaries and the amount utilised is nil (2006: HK$1,247,000).

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 PBL Gaming (Macau) Limited ("Melco PBL Gaming"), a subsidiary of Melco PBL 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 PBL Gaming in the absence of other available funding for completion of the project. The Company maintain a standby letter of credit for the said maximum amount to support its contingent obligation. PBL (which was subsequently replaced by Crown Limited) has given a similar undertaking and entered into a similar arrangement in connection with the said loan facilities.

The Company and the Group recognised financial guarantee liabilities in respect of the Exchangeable Bonds issued by Melco PBL SPV which are jointly and severally guaranteed by the Company and Crown Limited. Details of the guarantee are disclosed in note 43.

56. RETIREMENT BENEFIT SCHEMES

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

Both the Group and the employees contribute a fixed percentage of the relevant payroll to the MPF Scheme.

The Group's contribution to both retirement schemes are expensed as incurred. The Group's mandatory contributions to the MPF Schemes are vested immediately.

57. RELATED PARTY TRANSACTIONS

(a) The trade receivables include amounts due from related companies in relation to sales of computer hardware and software of approximately HK$9,782,000 (2006: HK$34,834,000).

The trade receivables include amount due from an associate, in relation to the sale of electronic gaming machines of approximately HK$224,011,000 (2006: Nil).

The prepayments, deposits and other receivables include approximately HK$194,000 (2006: HK$346,000) of amount due from customer on contracts in relation to sales of computer hardware and software to related companies.

(b) The accruals and other payables include deposits received from related companies in relation to sales of computer hardware and software of approximately HK$9,268,000 (2006: HK$6,896,000).

57. RELATED PARTY TRANSACTIONS – CONTINUED

(c) The Group was entered into the following related parties transactions:

	THE GROUP	
	2007 **HK$'000**	2006 HK$'000
Brokerage commission/interest income earned from certain directors of the Group or their relatives	–	125
Brokerage commission income earned from a related company#	–	2,245
Catering income earned from directors of the Company and related companies#	**4,390**	5,573
Consultancy fee received from a jointly controlled entity*	–	2,183
Consultancy fee received from an associate	**927**	–
Insurance premiums charged by a related company#	**1,010**	1,011
Loan interest income received from a jointly controlled entity*	–	2,931
Loan interest income received from associates	**27,908**	–
Rental income received from a jointly controlled entity*	–	840
Rental income received from an associate	**3,430**	–
Management fees received from a related company#	–	2,722
Overseas travels, entertainment and gifts expenses charged by an associate	**246**	–
Rental expense charged by a related company#	–	173
Travelling expense charged by a related company#	–	1,419
Interest expense on shareholder's loan	**1,780**	623
Interest expense on convertible loan notes to a related company#	**62,383**	62,536
Income from provision of management services to certain electronic gaming machines lounges of a related company#	–	126,953
Sales of computer hardware and software to related companies#	**51,202**	122,349
Sales of computer hardware and software to jointly controlled entities*	–	22,634
Sales of computer hardware and software to associates	**77,039**	–
Service income received from jointly controlled entities*	–	5,107
Service income received from associates	**12,581**	–
Service income of providing network support, technical support and other services to related companies#	**7,903**	7,300
Service income of providing network support, technical support and other services to jointly controlled entities*	–	913
Service income of providing network support, technical support and other services to associates	**2,269**	–
Purchase of property, plant and equipment from a related company#	–	17,064
Souvenirs sold to related companies#	**572**	553

57. RELATED PARTY TRANSACTIONS – CONTINUED

(c) The Group has entered into the following related parties transactions – continued:

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

* Jointly controlled entities represented Melco PBL Entertainment and its subsidiaries which the Group has 50% interest before Melco PBL Entertainment's shares are listed on the NASDAQ.

(d) On 28 December 2006, a subsidiary of the Company entered into a service arrangement on a conditional basis with each of Sociedade de Turismoe Diversöes de Macau ("STDM"), in which the dose family member of a director, Mr. Ho, Lawrence Yau Lung, has direct beneficial interest and SJM for certain system integration and maintenance services for an aggregate value of approximately HK$9.1 million and HK$113.1 million, respectively. The arrangements have been ratified for approval in February 2007 at an extraordinary general meeting.

On 17 July 2007, a subsidiary of the Company entered into certain service arrangements on a conditional basis with each of STDM and SJM respectively, pursuant to which Elixir shall provide services comprising system integration services for an aggregate value of about HK$7.05 million and HK$12.24 million to STDM and SJM respectively and maintenance services for the aggregate value of about HK$3.48 million to SJM.

(e) As at 31 December 2007, 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 PBL Entertainment (note 55).

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

(g) Compensation of key management personnel
The remuneration of directors and other members of key management during the year was as follows:

	THE GROUP	
	2007 HK$'000	2006 HK$'000
Short-term benefits	**16,166**	18,685
Post-employment benefits	**73**	100
Share-based payments	**3,836**	4,774
	20,075	23,559

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.

58. POST BALANCE SHEET EVENTS

On 20 March 2008, Melco (Luxembourg) SARL, a wholly-owned subsidiary of the Company incorporated in Luxemburg, entered into a subscription agreement with Melco China Resorts (Holding) Limited ("MCR BC") and the placing agents, to subscribe for 20,000,000 subscription receipts ("Subscription Receipts") of MCR BC at the price of CAD$0.30 per Subscription Receipt and in an aggregate amount of CAD$6million. The sale of such Subscription Receipt forms part of an offering of Subscription Receipts by MCR BC by way of private placement.

Each Subscription Receipt represents the right of the holder to receive, for no additional consideration, one common share ("Common Share") and one-half Common Share purchase warrant ("Warrant") of MCR BC (immediately prior to giving effect to the amalgamation between MCR BC and Virtual China Travel Services, Co., Ltd. ("VCTS")) at the Escrow Release Date, provided that the Escrow Release Conditions, each term as defined and specified in the agency agreement dated 20 March 2008 between the placing agents and MCR BC, have been satisfied. Each Warrant will be exercisable to purchase one Common Share for CAD$0.40 per share during the two-year period commencing on the Escrow Release Date.

On the Escrow Release Date, immediately following the deemed exercise of the Subscription Receipts to receive Common Shares and Warrants of MCR BC, MCR BC will amalgamate with VCTS, provided that the Escrow Release Conditions have been satisfied, including that VCTS will have obtained all necessary shareholder approvals and approvals of the TSX Venture Exchange and any other applicable Canadian regulatory authority in connection with the amalgamation as a reverse take-over ("RTO"). Immediately following the exercise of the Subscription Receipts and prior to the amalgamation, all of the outstanding shares of Melco China Resort Investment Limited, an associate of the Group owning the five ski resorts in China, will be transferred to MCR BC in consideration of the issuance of Common Shares in the capital of MCR BC. Upon the amalgamation, the resulting entity ("Amalco") will issue (i) one common share of Amalco for each 10 Common Shares (including Common Shares issued upon exercise of the Subscription Receipts) and for each 10 common shares of VCTS outstanding, and (ii) one warrant of Amalco exercisable to purchase common shares of Amalco at CAD$4.00 per share during the balance of the two-year period, for every ten Warrants outstanding.

59. 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	
				2007	2006	2007	2006
Melco Leisure and Entertainment Group Limited[1]	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%	100%	–	–
Aberdeen Restaurant Enterprises Limited[2]	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%
Tai Pak Sea-Food Restaurant Limited[2]	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%

59. 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	
				2007	2006	2007	2006
Jumbo Catering Management Limited[2]	Hong Kong	Provision of management services in Hong Kong	220 ordinary shares of HK$5,000	–	–	86.68%	86.68%
Melco Technology Group Limited[1]	Hong Kong	Investment holding in Hong Kong	2 ordinary shares of HK$1 each	100%	100%	–	–
iAsia Online Systems Limited[2]	British Virgin Islands	Provision of online trading software in Hong Kong	1 ordinary share of US$1	–	–	100%	100%
Elixir Group Limited[2]	Hong Kong	Provision of hardware and software in Hong Kong	833,333 ordinary shares of HK$1 each	–	–	100%	100%
Elixir International Limited[2]	Macau	Provision of hardware and software in Macau	2 quota shares of MOP450,000 and MOP50,000 each	–	–	100%	100%
Elixir Group Philippines, Inc.[2]	Philippines	Provision of hardware and software in Philippines	10,000 common shares of 100 pesos each	–	–	100%	100%
Melco Financial Group Limited[1]	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	100%	100%	–	–
Melco Services Limited[1]	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	100%	100%	–	–
Melco Investment Holdings Limited[1]	British Virgin Islands	Investment holding in Macau	1 ordinary share of US$1	100%	100%	–	–
Zonic Technology Limited[2]	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	–	–	100%	100%
Melco LottVentures Holdings Limited[2]	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	–	–	100%	100%

1 Shares held directly by the Company
2 Shares held indirectly by the Company

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 at the end of the year.