

# 1910

# 2010

Annual Report 2010 年報

Melco International Development Limited

新濠國際發展有限公司

A Hong Kong Listed Company 香港上市公司 (Stock Code 股票代號:200)

**Melco International Development Limited**  
**Annual Report 2010**  
新濠國際發展有限公司  
2010年報



## Contents 目錄

|  |     |
|--|-----|
| Financial Highlights 財務摘要                      | 15  |
| Corporate Profile 集團業務概覽                       | 16  |
| Corporate Structure 集團架構                       | 17  |
| Chairman & CEO's Statement 主席兼行政總裁報告書          | 18  |
| Management Discussion & Analysis 管理層討論及分析      | 20  |
| Management Profile 管理層簡介                       | 48  |
| Corporate Governance Report 企業管治報告             | 56  |
| Report of the Directors                        | 70  |
| Independent Auditor's Report                   | 96  |
| Consolidated Statement of Comprehensive Income | 98  |
| Consolidated Statement of Financial Position   | 100 |
| Statement of Financial Position                | 102 |
| Consolidated Statement of Changes in Equity    | 103 |
| Consolidated Statement of Cash Flows           | 106 |
| Notes to the Consolidated Financial Statements | 108 |
| Five Years Financial Summary                   | 184 |
| Corporate Information                          | 185 |
| 董事會報告  | 186 |
| 獨立核數師報告  | 212 |
| 綜合全面收益表  | 214 |
| 綜合財務狀況表  | 216 |
| 財務狀況表  | 218 |
| 綜合權益變動報表                                       | 219 |
| 綜合現金流量表  | 222 |
| 綜合財務報表附註                                       | 224 |
| 五年財務概要   | 300 |
| 公司資料   | 301 |

# Entertaining Possibilities Achieving Growth 開創新機 · 追求卓越

## VISION 願景

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

對所服務社群的成長及未來作出貢獻，  
並為世界各地人士燃點希望及帶來歡樂。

## MISSION 使命

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

成為充滿活力的企業，在領導消閒及娛樂行業之餘  
繼續開创先機，為股東創造理想回報。

1927 2006 2001  
2004 2000 1996 2003  
1993 1910 2005  
2007 2002 2010 1988

## Melco International Development Limited 新濠國際發展有限公司

Founded in 1910, The Macao Electric Lighting Company was among the first 100 companies established in Hong Kong.

The Company was listed on the Hong Kong Stock Exchange in 1927, and was renamed as “Melco International Development Limited” in 1988.

澳門電燈有限公司成立於1910年，  
為香港首百家創立的企業，  
於1927年在香港交易所上市，並於1988年  
正式更名為「新濠國際發展有限公司」。



# The Establishment of Macau Special Administrative Region

December 20, 1999  
澳門特別行政區政府成立  
1999年12月20日

Since the establishment of the Macau Special Administrative Region of the People's Republic of China, the number of tourists coming into Macau has increased threefold from 7.4 million in 1999 to 21.8 million in 2009\*. In 2002, the Macau SAR government ushered in a new era by opening the gaming market.

自澳門特別行政區政府成立以來，到訪澳門旅客數字顯著上升，由1999年的740萬人上升近三倍至2009年的2180萬人\*。澳門特區政府於2002年開放博彩業經營權，為澳門未來定位帶來新氣象。

\* Source of information: Macau Government Tourist Office

\* 資料來源:澳門特別行政區政府旅遊局





NASDAQ WELCOMES  
MELCO CROWN ENTERTAINMENT  
NASDAQ LISTED [MPEL]  
DECEMBER 19, 2006



Melco Crown Entertainment  
新濠博亞娛樂

NASDAQ



2006

**Melco Crown Entertainment Limited (NASDAQ: MPEL)**  
**Listed on NASDAQ on December 19, 2006**  
**新濠博亞娛樂有限公司(納斯達克:MPEL)**  
**2006年12月19日於納斯達克上市**

Melco Crown Entertainment Limited, one of Melco's key associates, raised US\$1.32 billion from listing on NASDAQ in 2006 – the IPO was the largest by an Asian company and the fourth-largest in the US in that year. In the same year, Macau surpassed Las Vegas and became the world's gaming capital.

新濠國際旗下的主要聯營公司 — 新濠博亞娛樂有限公司於2006年在納斯達克上市，該首次公開發行共籌集了13.2億美元，為當年全美第四大及創下亞洲公司上市的最大金額。同年，澳門超越拉斯維加斯成為全球娛樂之都。





# 2007

## ALTIRA

新濠鋒 MACAU

Opened on May 12, 2007

2007年5月12日開幕

Melco Crown Entertainment Limited opened Altira Macau, the city's first six-star hotel-casino, in 2007. The impeccably sophisticated and personalized service standard at Altira Macau has earned the hotel Forbes Five-Star ratings for hotel and spa for two years.

新濠博亞娛樂有限公司旗下首間六星級娛樂場酒店—澳門新濠鋒於2007年正式開幕。其超凡的個人化服務禮遇，為其連續兩年贏得福布斯旅遊指南住宿及水療兩個組別的五星級大獎。



2010 2006 2001  
2004 2000 2009 1996  
1993 2005  
2007 2002 1927 1988



## Grandly Opened on June 1, 2009 2009年6月1日隆重開幕

In 2009, Melco Crown Entertainment defied the global financial turmoil and opened its flagship integrated entertainment resort, City of Dreams, on time and on budget. The resort carries an array of entertainment, accommodation, dining, shopping and gaming offerings, strengthening Macau's position as one of Asia's premier leisure and entertainment destinations.

新濠博亞娛樂有限公司的旗艦綜合度假村—新濠天地未受全球金融海嘯影響，按計劃如期於2009年開幕。該旗艦項目設有多樣化的消閒、住宿、餐飲及博彩娛樂設施，進一步鞏固澳門成為亞洲首屈一指的休閒和娛樂目的地之地位。





1910 1988 2007  
2004 2009 2010 1996  
1993 2001 2005  
2002 1927



**Premiered on September 16, 2010**  
**2010年9月16日盛大首演**

With five years of planning and two years of rehearsal, The House of Dancing Water, a HK\$2 billion-plus production and the world's largest water-based show, opened in City of Dreams on September 16, 2010.

經過五年籌劃及兩年緊密綵排，「水舞間」—逾20億港元製作的全球最大型水上滙演，於2010年9月16日在新濠天地盛大上演。







## Looking into the Future 展望將來

With the hundred-year foundation, Melco will continue to focus on “Gaming & Macau” and aspires to be the leading entertainment tycoon in Asia with innovative offerings that set new benchmarks for the hospitality industry across the region and around the globe.

秉承百年根基，新濠將繼續專注發展「博彩及澳門」業務，立志成為亞洲娛樂先驅，以創新理念及產品為整個亞洲地區、甚至全球的酒店業定下新基準。



# Financial Highlights

1. Net loss attributable to owners of the Company was HK\$209.5 million for the year ended 31 December 2010, as compared with loss attributable to owners of the Company of HK\$1,449.7 million for the year ended 31 December 2009.
2. Basic loss per share attributable to owners of the Company was HK17.04 cents for the year ended 31 December 2010 compared to HK118.05 cents for the year ended 31 December 2009.
3. Net asset value per share attributable to owners of the Company increased by 2% to HK\$5.55 as of 31 December 2010, as compared with HK\$5.43 as of 31 December 2009.
4. Gearing ratio improved to 19% as of 31 December 2010 from 23% as of 31 December 2009; the Group maintained a healthy financial position during the review year.

## 財務摘要

1. 截至二零一零年十二月三十一日止年度，本公司擁有人應佔虧損淨額為209,500,000港元，而截至二零零九年十二月三十一日止年度則錄得本公司擁有人應佔虧損為1,449,700,000港元。
2. 截至二零一零年十二月三十一日止年度，本公司擁有人應佔每股基本虧損為17.04港仙，而截至二零零九年十二月三十一日止年度則為118.05港仙。
3. 於二零一零年十二月三十一日之本公司擁有人應佔每股資產淨值為5.55港元，較二零零九年十二月三十一日之5.43港元增加2%。
4. 資本負債比率由二零零九年十二月三十一日之23%改善至二零一零年十二月三十一日之19%，本集團於回顧年內保持穩健的財務狀況。

# Corporate Profile

# 集團業務概覽

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

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

## Confidence leads to growth, growth leads to confidence

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

The accolades Melco received over the past several years assured us that we are moving in the right direction and have further fuelled our confidence. The Group received the High Flyer’s Corporate Achiever Award (Leisure, Gaming & Entertainment) and Top Performer Award from the HK Business Magazine and South China Morning Post respectively in 2005. The Group is the first ever entertainment company to receive the “Hong Kong Corporate Governance Excellence Awards 2009” by the Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance and Financial Policy, Hong Kong Baptist University. In 2010, Melco is once again granted the Corporate Governance Asia Annual Recognition Award for the fifth consecutive year by Corporate Governance Asia magazine. We also received four awards from FinanceAsia magazine in 2010, including one of Hong Kong’s Best Managed Companies for the fourth year; Best Mid-Cap; Best in Corporate Social Responsibility; and one of the Best CEOs in Hong Kong which is awarded to our Chairman and Chief Executive Officer, Mr. Lawrence Ho.

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

新濠國際發展有限公司（「新濠」）或（「本公司」）始創於1910年，並於1927年在香港聯交所上市，是一家擁有悠久歷史和璀璨未來的公司。今天，在集團主席兼行政總裁何猷龍先生的卓越領導下，新濠注入了嶄新力量，並制定了新方向，致力成為充滿動力的公司，引領消閒及娛樂行業。

新濠為亞洲新一代的企業，以熱切追求時尚生活體驗的新一代消費者為主要服務對象。新濠旗下的公司一直與時並進，全力開拓具創意的產品及服務，全面滿足顧客對優越生活的追求和夢想。

## 自信令我們進步，進步令我們更添自信

恰如正在躍升的亞洲經濟，不斷進步素來是新濠的首要宗旨。

憑著過去數年屢獲殊榮，肯定我們正朝著正確的方向進發，新濠更是信心倍添。2005年，集團獲得由HK Business Magazine 頒發的High Flyer 傑出企業大獎（消閒、博彩及娛樂業務），以及由南華早報頒發的Top Performer Award。本集團亦獲得香港上市公司商會與香港浸會大學公司管治與金融政策研究中心頒發的「2009年度香港公司管治卓越獎」，成為首家獲得此項殊榮的娛樂界別企業。2010年，新濠連續第五年獲得《亞洲企業管治》刊物頒發「亞洲企業管治年度嘉許獎項」。集團於2010年亦獲《亞洲金融》雜誌頒發四個獎項，包括連續第四年獲選為香港最佳管理企業之一、「最佳中型企業」、「最佳企業社會責任」機構之一，而主席兼行政總裁何猷龍先生亦獲選為「香港最佳行政總裁」之一。

新濠為香港上市公司商會《香港企業管治約章》的發起簽署機構，訂立約章之目的是提升及促進香港上市公司之企業管理文化。

# Corporate Structure

## 集團架構

### MELCO GROUP 新濠集團

#### Leisure and Entertainment 消閒及娛樂

Melco Crown Entertainment Limited -  
a NASDAQ-listed company ticker symbol "MPEL"  
新濠博亞娛樂有限公司 — 美國納斯達克市場上市公司 股票符號「MPEL」

City of Dreams, Cotai –  
Integrated Entertainment Resort  
綜合娛樂度假勝地  
路氹城「新濠天地」



Altira Macau, Taipa –  
VIP market  
高注碼市場  
氹仔「新濠鋒」



Mocha Clubs, all over Macau  
– Leisure Grind market  
休閒低注碼市場  
遍佈澳門之「摩卡娛樂場」



Focus on Macau gaming market 專注發展澳門博彩市場

Entertainment Gaming Asia Inc. –  
a NYSE-Amex listed company ticker symbol "EGT"  
Entertainment Gaming Asia Inc.  
— 紐約證券交易所—Amex上市公司  
股票符號「EGT」



Focus on slot machine  
participation business  
專注於角子機分成業務

MelcoLot Limited – a HK-listed  
company stock code: 8198  
新濠環彩有限公司 —  
香港上市公司 股份代號：8198



Focus on Asia's lottery business  
專注發展亞洲區彩票業務

Jumbo Kingdom  
珍寶王國



#### Other Businesses 其他業務

Property and other Investments 物業及其他投資

# CHAIRMAN & CEO'S STATEMENT

Mr. HO, Lawrence Yau Lung  
Chairman and Chief Executive Officer  
主席兼行政總裁  
何猷龍先生



Melco Group celebrated its 100th anniversary with significant progress in its business results in the year 2010, primarily driven by continued improvements in our core business of “Gaming & Macau”. Our strategies in driving operating leverage and in improving the profitability of our portfolio of assets in Macau, particularly in ramping up our mass market and VIP business, have

been proven effective, resulting in new records in quarterly rolling chip volume, mass table drop and slot handle in the fourth quarter of 2010. The new operating management structure at Melco Crown Entertainment Limited has also shown positive impact on our business within the few months since it has been implemented.

# 主席兼行政總裁 報告書

One of our key strategies in enhancing mass gaming infrastructure at our flagship project, City of Dreams, was the opening of The House of Dancing Water in September 2010. The success of the spectacular extravaganza has created a truly phenomenal attraction in the eyes of general public in Hong Kong, Macau and overseas visitors since its opening. It has not only earned plaudits from audiences and critics alike, but also generated significant positive ripple effects throughout the business including higher property visitation, hotel occupancies, restaurant covers and gaming spends. Through the end of 2010, our database grew to more than 560,000 members, and it continues to fuel our growth in the mass market. To sustain this upward trend, we have implemented strategies to further leverage the success of this world-class production and we expect the opening of additional entertainment amenities in 2011, including the largest nightclub across Hong Kong and Macau, Club Cubic; and the world-famous Hard Rock Café, to add significant contributions to the resort's visitation and mass market revenue.

Looking into 2011, we continue to have a positive outlook as Macau's tourism industry shifts its center of gravity southwards to Cotai with new resorts opening in the neighborhood, further enhancing the entertainment proposition of this area. The strong economy in mainland China will continue to be the powerhouse propelling significant growth in the coming year. The expansion of the middle class in China will continue to drive wealth and consumer spending, which provides a strong background for long-term, if not, multi-generational growth. This, combined with the proactive stewardship by the Macau SAR Government, has forged a solid framework for the ongoing development and growth of the Macau's tourism and gaming market.

Going forward, we expect to continue seeing notable improvement in the performance of our core leisure and entertainment business with Melco Crown Entertainment Limited and the full operating results of its comprehensive portfolio comprising City of Dreams, Altira Macau and Mocha Clubs.

As a major player in the leisure and entertainment sector in the Greater China Region, Melco Group will continue to maintain the highest corporate governance standards and to honor its corporate social responsibilities. Although our business continues to be dynamic with innovative business strategies, our ultimate goal remains unchanged – delivering satisfactory and long-term returns to shareholders.

Finally, on behalf of the Board of Directors, I would like to express my heartfelt thanks to the management team and staff for their commitment and contribution to the Group's business in the past year. I would like to take this opportunity to express my appreciation to all our bankers, investors and business partners for their continuous support and trust.

**Ho, Lawrence Yau Lung**  
Chairman and Chief Executive Officer

二零一零年新濠集團成立百載誌慶，而在核心業務 — 「博彩及澳門」業務持續改善的帶動下，集團年內的業績取得長足進展，可謂錦上添花。集團的營運策略為發揮營運槓桿效益和提升澳門資產組合的盈利能力，並以壯大中場界別和貴賓廳業務為重點，其成效顯著，讓集團在二零一零年第四季度的季度轉碼數、中場博彩桌入箱額和角子機收入總額皆創出記錄新高。自新濠博亞娛樂有限公司實行新營運管理架構數月以來，集團業務亦顯著受惠。

本集團為提升旗艦項目 — 新濠天地之中場博彩基礎設施實行多項重要策略，而在二零一零年九月隆重公演的《水舞間》是重要一著。自上演以來，《水舞間》此震撼人心的舞台鉅製取得空前成功，成為港澳兩地的普羅大眾以至海外遊客均極欲一睹其精彩表現的匯演。《水舞間》不單只贏得觀眾和藝評人擊節讚賞，其更為集團業務創造顯著的連鎖效應，包括提高了旗下項目的到訪率、酒店入住率、餐廳入座率和博彩消費。二零一零年底以來，集團的會員人數已超過560,000人，繼續推動集團在中場業務之發展。為了延續此增長勢頭，集團已採取多項策略以進一步發揮這項世界級鉅製的成功口碑，集團預期，隨着更多的娛樂配套設施於二零一一年開幕，包括港澳兩地中最大規模的夜總會「Club Cubic」和世界知名的「Hard Rock Café」，定可為新濠天地此渡假項目的到訪率和中場收益作出重要貢獻。

展望二零一一年，集團繼續看好澳門旅遊業的發展，隨著路氹城一帶的多個新渡假村項目相繼開幕，澳門旅遊業的重心將南移至路氹城，而此區的娛樂主題亦會更加突出。中國大陸的蓬勃經濟將繼續提供無比動力，推動來年創出大幅增長。國內的中產階級增長，將繼續驅動富裕旅客來澳消費，成為長期甚至乎橫跨數代的雄厚增長根基。在利好的宏觀環境下，加上澳門特別行政區政府的高瞻遠矚，為澳門打造出穩固框架，讓澳門旅遊業和博彩市場得以持續發展和增長。

放眼遠望，集團預期新濠博亞娛樂有限公司經營的核心消閒及娛樂業務將會繼續取得驕人進展，而集團旗下由新濠天地、新濠鋒及摩卡娛樂場組成的完善資產組合將會貢獻全面的營運業績。

作為大中華地區消閒及娛樂界別中的重要一員，新濠集團將繼續恪守最高的企業管治標準，信守企業社會責任。集團運用創新營商策略來經營發展迅速的業務之時，集團的最終目標始終不變 — 努力為股東帶來長線的理想回報。

最後，本人謹代表董事會對過去一年為集團業務全力以赴並作出寶貴貢獻的管理層團隊和員工致以衷心感謝。本人亦謹此感謝往來銀行、投資者及業務伙伴一直以來的支持和信賴。

**何猷龍**  
主席兼行政總裁

# Management Discussion & Analysis

## Significant Events and Developments

Melco International Development Limited (“Melco” or the “Group”) has recorded continued improvement in the year of 2010, benefiting from solid growth of Macau’s gaming sector fueled by the economic recovery worldwide and improved visitation from Chinese tourists. The Group’s core leisure and entertainment businesses have all made significant progress, stimulated by the opening of The House of Dancing Water as well as its successful management restructuring and aggressive marketing strategies. The operating leverage and profitability of the Group’s assets have also been enhanced during the year.

## CORE BUSINESSES

### Gaming business in Macau

The Group operates gaming businesses in Macau through its 33.4%-owned associate, Melco Crown Entertainment Limited (“Melco Crown Entertainment”), which is listed on the NASDAQ Global Selected Market in the US. The Macau’s economy flourished in 2010 and Melco Crown Entertainment fully participated in this growth by delivering a number of operating milestones along with sequential improvement in its businesses. Its fourth quarter results represent a new record for quarterly consolidated net revenue as well as for quarterly rolling chip volume, mass table drop and slot handle.

During the year, Melco Crown Entertainment devoted substantial efforts to ramping up its gaming infrastructure for the mass market, introducing several new amenities in City of Dreams including the largest children’s attraction in Macau, Kid’s City; and the world’s largest water-based show, The House of Dancing Water. The show has received overwhelming response ever since its opening and is generating significant positive ripple effects throughout the business including additional revenue and collateral visitation. Together with other initiatives, City of Dreams is delivering a tangible and sustainable improvement in the Group’s mass market share, while reflecting operational improvements in its business. The improvements are solid indicators that City of Dreams is providing a better experience for its customers, and they are staying longer



at tables as a result. City of Dreams’ success is widely recognized by the hospitality industry, bagging a number of prestigious awards including the “Best Leisure Development in Asia Pacific” and “Best Leisure Development in China” at the International Property Awards; “Best VIP Room” and “Best Casino Interior Design” at the International Gaming Awards, its water-based live entertainment, The House of Dancing Water, won the Top 10 Cultural and Creative Projects at Hong Kong STV Award, and its Dragon’s Treasure, the iconic landmark showcased in The Bubble, was honored with the Outstanding Achievement at 2009 THEA Award.

At Altira Macau, the profitability of its VIP business continued to be strong. Margins of the operations in this property continue to benefit from dealing with junkets directly and the commission cap implemented in 2009. Altira Macau’s impeccable service standard has earned accolades worldwide – it has been awarded Forbes Five-Star Rating for both Lodging and Spa for two consecutive years, and its restaurant was awarded Michelin Star for the third year.

# 管理層討論 及分析

## 重要事件及發展

新濠國際發展有限公司（「新濠」或「本集團」）於二零一零年繼續錄得增長，全球經濟復甦以及國內旅客的到訪率提升，推動澳門博彩界別取得堅實增長，集團業務亦得以受惠。在《水舞間》開幕的刺激下，加上管理層重組和積極的市場攻勢奏效，本集團的核心消閒及娛樂業務盡皆取得顯著進展。集團旗下資產的營運槓桿效益和盈利能力於年內均有所提升。

## 核心業務

### 澳門博彩業務

本集團透過於美國納斯達克全球精選市場上市的聯營公司新濠博亞娛樂有限公司（「新濠博亞娛樂」）（由本集團擁有33.4%權益）在澳門經營博彩業務。二零一零年的澳門經濟興旺，新濠博亞娛樂亦把握時機全力乘勢發展，在營運路上創出多項里程碑，旗下業務亦持續增長。在其第四季度業績中，不單只季度綜合收益淨額創出新高，季度轉碼數、中場博彩桌入箱額和角子機收入總額均為破記錄。

年內，新濠博亞娛樂為壯大中場業務的博彩基礎設施而悉力以赴，在新濠天地引入數項新設施，包括澳門最大型的兒童玩樂世界——童夢天地，以及全球最壯觀的水上匯演——《水舞間》。《水舞間》自公演以來好評如潮，並且為集團業務帶來顯著的連鎖效益，包括創造額外收益和吸引觀眾到訪。配合其他策略，新濠天地令本集團的中場博彩業務之佔有率得到持續而明顯的改善，業務營運亦有所提升，盡顯新濠天地為客人提供更佳的娛樂體驗，而客人留在博彩桌的時間亦隨之增加。新濠天地之成功廣獲酒店業的推崇，其囊括多項殊榮，包括國際房地產大獎的「亞太區最佳休閒渡假發展項目」及「中國最佳休閒渡假發展項目」兩項大獎，國際博彩業大獎的「最佳娛樂場貴賓廳」及「最佳娛樂場室內設計」獎項；其水上匯演《水舞間》在Hong Kong STV Award上榮獲「十大文化及創意項目」獎項，而於新濠天地的地標建築——「天幕」劇院呈獻的立體動感視聽節目「龍騰」，亦榮獲二零零九年國際主題娛樂協會所頒發的傑出大獎。

新濠鋒之貴賓廳業務保持強勁的盈利能力。與博彩中介人直接洽商的做法以及二零零九年實行的佣金上限，均令到此項目之營運利潤率繼續受惠。新濠鋒亦憑藉上乘服務在全球贏得多個獎項，包括連續第二年在住宿和水療兩個類別獲福布斯給予五星殊榮，旗下餐廳亦連續第三年獲得《米芝蓮》的星級殊榮。



## Gaming Machine Revenue Participation Business in Southeast Asia

Entertainment Gaming Asia Inc. (formerly known as Elixir Gaming Technologies, Inc.) (“EGT”), a company listed on NYSE-Amex (Stock symbol: EGT), in which the Group has an effective equity interest of approximately 39.4%, delivered satisfactory results in the gaming market in Southeast Asia for another year. In fiscal year 2010, EGT successfully completed its transformation into a company with meaningful and recurring earnings and cash flow from its core gaming participation business. EGT posted solid financial results for the year, achieving record revenue and a positive adjusted EBITDA.

EGT has earned good reputation among gaming operators through cooperation with its strategic partners in providing gaming machine management services for them. Currently, the gaming machine operations at NagaWorld Hotel and casino resort in Phnom Penh, Cambodia, a wholly-owned subsidiary of NagaCorp Ltd. (Stock code: 3918), have been a strong contributor to EGT’s financial performance. A total of 670 electronic gaming machines have been placed in designated areas of the casino floor of the hotel resort and are jointly managed by EGT and NagaWorld. These gaming machines have achieved net wins exceeding US\$200 per machine per day during the year 2010.

Leveraging its solid recurring cash flow from its gaming management participation operations, improved operating efficiencies, and its established presence in its target markets, this part of business is expected to provide higher long-term incremental returns to EGT.

## Lottery Management Business in Asia

Leveraging the rapidly growing opportunities in China’s lottery market, especially the development of paperless lottery channels, MelcoLot Limited (“MelcoLot”), in which the Group has a 35.3% effective interest on a fully diluted basis (assuming full conversion of all outstanding convertibles), has made steady progress in the China lottery sector during the reporting period.

During the year, MelcoLot completed the acquisition of a 35% interest in China Excellent Net Technology Investment Limited which is engaged in mobile lottery solutions, and a 40% interest in ChariLot Company Limited which is engaged in securing specific lottery supply and service opportunities. It also commenced work on a contract for Chongqing Welfare Lottery Authority for the supply of a multimedia content delivery system for its popular “Shi Shi Cai” game. In the coming period, the Company aims to capitalise on the Chinese Government’s recent initiatives to better regulate mobile and internet lotteries and take full



advantage of the world-class lottery technologies of Intralot S.A. under existing licencing agreements for China.

Beyond China, MelcoLot’s investment in Nanum Lotto, Inc., South Korea’s sole government authorized welfare lottery operator is showing good progress with steady increase in revenues and profitability.

## NON-CORE BUSINESSES

### Ski Resort Business in China

The Group owns 28.7% of Mountain China Resorts (Holding) Limited (“MCR”, previously known as “Melco China Resorts (Holding) Limited”), which owns and operates the largest destination ski resort in China, namely Sun Mountain Yabuli Resort in Heilongjiang (“Yabuli Resort”). Yabuli Resort was awarded the “Best Resort Makeover in Asia” by *TIME Magazine* in February 2009 and was the host venue of the 2009 World Winter University Games.

In early 2010, MCR formed a strategic partnership with Club Med Asia S.A. (“Club Med”) in which Club Med will operate and manage two of the new hotels at Yabuli Resort. “Club Med Yabuli”, the first Club Med resort in China, has commenced operation in November 2010, and contributed revenue of RMB15 million from its hotel and ski operations in December 2010, 400% higher than the same period last year. MCR also entered into a long-term cooperation agreement with the China Entrepreneurs Forum (“CEF”) under which CEF will hold all of its future Annual Forums at Yabuli Resort on a permanent basis.





### 東南亞的博彩機收益分成業務

Entertainment Gaming Asia Inc. (前稱Elixir Gaming Technologies, Inc.) (「EGT」, 其於紐約證券交易所-Amex上市 (股份代號: EGT)) 由本集團持有約39.4%實際股本權益, 其於東南亞博彩市場續創佳績。於二零一零年財政年度, EGT成功轉型, 公司目前已憑著核心博彩收益分成業務而擁有不俗的經常盈利和現金流量。EGT於年內取得穩健的財務業績, 其收益創出新高並且錄得正面的經調整EBITDA。

EGT與策略伙伴合作, 為他們提供博彩機管理服務, 在博彩營運商之間贏得良好聲譽。目前在柬埔寨金邊的NagaWorld酒店及娛樂場渡假村 (為金界控股有限公司 (股份代號: 3918) 的全資附屬公司) 之博彩機業務對EGT的財務表現作出重大貢獻。目前已於該酒店渡假村內的娛樂場樓層的指定地方裝置共670台電子博彩機, 並由EGT與NagaWorld共同管理。有關博彩機於二零一零年度的每日每台淨派彩逾200美元。

EGT將善用其博彩管理分成營運所帶來之穩固經常性現金流、其最佳的營運效率以及其於目標市場所建立的地位, 預期此部份的業務將為EGT帶來較高的長線回報。

### 亞洲的彩票管理業務

中國的彩票市場充滿迅速增長的機遇, 並以無紙化彩票渠道的發展最為矚目, 新濠環彩有限公司 (「新濠環彩」, 按全面攤薄基準計算, 本集團持有新濠環彩的35.3%實際權益, 此乃假設所有未行使之可換股項目獲悉數轉換) 亦把握時機, 於報告期內在中國彩票行業取得穩定發展。

年內, 新濠環彩已完成收購中國精彩網絡科技投資有限公司 (其從事手機彩票解決方案) 之35%權益及喜彩股份有限公司 (其業務為取得特定的彩票供應及服務機遇) 之40%權益, 其亦已為重慶市福利彩票發行中心開展合同工作, 為當地流行的「時時彩」遊戲供應多媒體內容交付系統。於接下來的期間, 新濠環彩計劃把握中國政府近期為更好地規管手機及互聯網彩票所推出的政策, 根據目前的特許授權協議而利用Intralot S.A. 提供的世界級彩票技術發展中國市場。

國外業務方面, 新濠環彩於Nanum Lotto, Inc. (其為唯一獲得南韓政府授權的福利彩票營運商) 的投資取得良好進展, 其收益和盈利能力均見穩步增長。

### 非核心業務

#### 中國的滑雪渡假村業務

本集團擁有Mountain China Resorts (Holding) Limited (「MCR」, 前稱新濠中國渡假村 (控股) 有限公司) 的28.7%權益。MCR擁有及經營中國最大的滑雪勝地渡假村 — 位於黑龍江的亞布力陽光渡假村 (「亞布力渡假村」)。亞布力渡假村於二零零九年二月獲《時代雜誌》評為「亞洲最佳渡假村升級項目」, 並為二零零九年世界冬季大學運動會的舉辦場地。

於二零一零年初, MCR與Club Med Asia S.A. (「Club Med」) 組建策略伙伴關係, 據此, Club Med將營運及管理亞布力渡假村內的兩間新酒店。中國首個Club Med渡假村「Club Med Yabuli」已於二零一零年十一月投入營運, 其酒店及滑雪業務於二零一零年十二月的收益貢獻達人民幣15,000,000元, 較去年同期高出400%。MCR亦與中國企業家論壇訂立長期合作協議, 據此, 中國企業家論壇今後將於亞布力渡假村舉行其所有年度論壇。

## ACHIEVEMENTS AND AWARDS

Leveraging on the Group's high standards of corporate governance and its socially responsible business practices, the Group received a number of accolades during the year ended 31 December 2010.

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

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

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

All of these awards acknowledged both the community's and industry's recognition of and confidence in the Group's performance and management standards. These accolades

encourage the Group to aspire to achieve the best corporate practices and deliver the highest quality services to customers. Melco will strive to sustain its spirit as a socially responsible and a renowned gaming enterprise, ultimately ensuring that the Group runs a highly transparent operation and is accountable to its shareholders.

## OUTLOOK

Macau is successfully transforming itself into a leisure and tourism hub in Asia. The Macau SAR Government has stepped up its effort in the expansion of border gates, and the construction of the Hong Kong-Zhuhai-Macau Bridge, the Macau Light Rail Transit, and a new ferry terminal at Taipa – all intended to make transport to and within Macau more convenient in order to accelerate visitation to Macau. More importantly, the tourism industry has begun to shift its center of gravity southwards to the Cotai area, with even more properties and attractions opening up in 2011 and coming years. The additional entertainment offerings in Cotai are expected to attract more visitors to the area and create a linkage effect that will have a positive impact on Melco's core "Gaming and Macau" business.

So far, the Group has made a good start in 2011. Visitation and gaming volumes reached a record high during the Chinese New Year holiday period. Tickets of The House of Dancing Water, the world's largest water-based show staged at the flagship City of Dreams, have been sold out almost every show. This world class extravaganza, together with opening of two major new amenities in 2011, Club Cubic, the largest nightclub across Hong Kong and Macau; and Hard Rock Café, a world-renowned iconic restaurant chain; helps City of Dreams become a "must experience" destination in Macau.

With flagship property City of Dreams in full operation in 2010, Melco has transitioned from a company focused on development to one advanced by operations. With the strong growth of the affluent class in China, we expect a significant increase in both wealth and consumer spending from tourists coming from China. With our superb service culture, as well as our in-depth understanding on the Chinese consumer behavior, Melco Crown Entertainment will maintain its important role in contributing to Macau's transformation into Asia's premier leisure travel hub, and our properties will continue to bring in consistent, positive contributions to the Group's business.

Looking ahead, management is optimistic about its prospects in 2011 and expects it to be another year for the Macau gaming market to soar, with the spotlight shifting to Cotai. With a comprehensive portfolio of prized assets comprising of City of Dreams, Altira Macau and Mocha Clubs, Melco is on the right track to capitalize on opportunities in the largest gaming market in the world and deliver the highest return to its shareholders.

## 成就及獎項

憑藉本集團的高水平企業管治並且在業務常規中體現關懷社會的精神，本集團於截至二零一零年十二月三十一日止年度內獲得多項殊榮。

於二零一零年，新濠連續第二年榮獲權威財經雜誌《亞洲金融》頒發「最佳企業管治」獎項，表揚本集團對良好企業管治的追求。新濠亦連續第四年獲選為「香港最佳管理公司」之一，並獲評為「最佳中型企業」及「最佳企業社會責任」機構之一。集團主席兼行政總裁何猷龍先生亦獲選為「香港最佳行政總裁」之一。新濠一直以來對創新和卓越的堅持，亦令其企業社會責任年報在2010年國際年報獎當中贏得「年報PDF版本銀獎」。

社會責任方面，新濠是世界自然基金會香港分會的「雙鑽石會員」，並且連續第五年獲香港社會服務聯會嘉許為「商界展關懷」機構，肯定新濠一直對社區服務的鼎力支持。本集團在資助與環保有關的教育和研究項目方面不遺餘力，並再度獲香港公益金頒發「二零一零年公益最高榮譽獎」。除此以外，新濠推行「綠化新濠」計劃，亦於二零一零年取得香港環保卓越計劃的「卓越級別」減廢標誌，充份印證了新濠在生活和工作環境推廣綠化的努力。

新濠博亞娛樂於二零一零年國際博彩業大獎獲得「亞洲最佳營運商」的獎項，進一步鞏固其世界級博彩企業的地位。其榮獲著名的《CIO Asia》雜誌評選為「CIO Top 100」，亦於IDC企業創新大獎中奪得「Top Winner」獎項。此外，新濠鋒於二零一零年TTG中國旅遊大獎中獲頒「澳門最佳豪華酒店」獎項。新濠天地現已成為澳門其中一項矚目地標建築，其於國際房地產大獎中獲頒「中國最佳休閒渡假發展項目」及「亞太區最佳休閒渡假發展項目」兩項大獎，以及榮獲第三屆「最受內地遊客歡迎－港澳卓越品牌」星光獎。新濠天地的Hard

Rock酒店為亞洲區旅客提供最新最精彩的娛樂體驗，其獲《21世紀經濟報道》及《商務旅行》雜誌選為「第七屆中國酒店金枕頭獎－澳門最佳新開業酒店」獎。

上述獎項俱彰顯出社會和業界對本集團的表現以及管理水平的認同和信心。這些殊榮激勵本集團繼續推行最佳的企業常規，為客戶帶來最上乘的優質服務。作為知名的博彩企業，新濠將繼續其一貫關心社會的精神，以確保本集團的營運保持高透明度，對股東負責。

## 展望

澳門已成功轉型為亞洲的消閒和旅遊樞紐。澳門特別行政區政府亦加緊拓展邊境地區的工作，而港珠澳大橋、澳門輕軌系統和氹仔新客運碼頭之興建，均旨在利便往來澳門的交通運輸，推動訪澳旅客人數節節上升。更為重要的是，澳門旅遊業的重心已開始南移至路氹城，於二零一一年和未來數年，路氹城一帶將有更多項目開業和更多新景點。隨著路氹城提供更豐富的娛樂享受體驗，預計該區的旅客人數將會上升，利好新濠的核心「博彩及澳門」業務。

自步入二零一一年以來，本集團至今取得不俗的開始。農曆新年假期期間，到訪人數和博彩額雙雙創出新高。在旗艦項目新濠天地呈獻的全球最大型水上匯演《水舞間》每場的門票也幾近售罄。此世界級的娛樂盛事，再加上於二零一一年新濠天地內將有兩項重要新設施開業——港澳兩地中最大規模的夜總會「Club Cubic」和世界知名的地標餐廳連鎖集團「Hard Rock Café」，將令到新濠天地成為澳門的必遊景點。

隨著旗艦項目新濠天地於二零一零年全面投入營運，新濠亦由過去以發展為主調的公司，演變為專注營運以推動公司發展。面對中國的富裕階層強勁增長，集團預期將有更多富庶的國內旅客來澳大破慳囊。憑藉集團致力提供非凡服務的企業文化以及對於中國消費者喜好的透徹掌握，新濠博亞娛樂將繼續擔當重要角色，為澳門轉型為亞洲首選的消閒旅遊樞紐作寶貴貢獻，旗下項目亦會持續不斷的為本集團業務帶來正面貢獻。

展望將來，管理層對集團二零一一年的前景感到樂觀，預期今年將會是澳門博彩市場繼續騰飛的一年，而路氹城將成為耀

眼新焦點。新濠擁有由新濠天地、新濠鋒及摩卡娛樂場三項寶貴資產組成的完善資產組合，其正朝著正確方向進發，把握全球最大博彩市場的商機，為股東帶來最高回報。



**FINANCIAL REVIEW**

|   | Year ended 31 December |                  |
|---|------------------------|------------------|
|   | 2010<br>HK\$'000       | 2009<br>HK\$'000 |
| <b>Continuing operations</b>  |                        |                  |
| Segmental Result: Leisure and Entertainment                             | 938                    | (762)            |
| Segmental Result: Property and Other Investments                        | 26,232                 | 43,493           |
| Group operating results   | 27,170                 | 42,731           |
| Share of losses of associates   | (10,943)               | (896,601)        |
| Share of loss of a jointly controlled entity                            | (81,686)               | (190,227)        |
| Loss on deemed disposal of interests in associates                      | (33,085)               | (157,214)        |
| (Loss) gain on disposal of interest in an associate                     | (2,012)                | 33,516           |
| Impairment loss recognised in respect of amount due from an associate   | (6,068)                | (189,506)        |
| Impairment loss recognised in respect of available-for-sale investments | –                      | (2,574)          |
| Fair value changes on derivative financial instruments                  | (34)                   | (30)             |
| Fair value change on investment in convertible loan note                | 14,414                 | 75,410           |
| Unallocated corporate income  | 76,525                 | 28,848           |
| Central administrative costs and other unallocated corporate expenses   | (91,469)               | (101,212)        |
| Finance costs   | (106,799)              | (95,045)         |
| Loss before tax   | (213,987)              | (1,451,904)      |
| Income tax credit   | 14,245                 | –                |
| Loss for the year from continuing operations                            | (199,742)              | (1,451,904)      |
| <b>Discontinued operations</b>  |                        |                  |
| (Loss) profit for the year from discontinued operations                 | (8,866)                | 3,488            |
| Loss for the year   | (208,608)              | (1,448,416)      |
| Non-controlling interests   | (856)                  | (1,269)          |
| Loss for the year attributable to owners of the Company                 | (209,464)              | (1,449,685)      |

For the year ended 31 December 2010, the Group reported loss attributable to owners of the Company of HK\$209.5 million compared to a loss of HK\$1,449.7 million for the year 2009.

## 財務回顧

|                  | 截至十二月三十一日止年度  |               |
|------------------|---------------|---------------|
|                  | 二零一零年<br>千港元  | 二零零九年<br>千港元  |
| <b>持續經營業務</b>    |               |               |
| 分類業績：消閒及娛樂       | 938           | (762)         |
| 分類業績：物業及其他投資     | 26,232        | 43,493        |
| <b>集團經營業績</b>    | <b>27,170</b> | <b>42,731</b> |
| 應佔聯營公司之虧損        | (10,943)      | (896,601)     |
| 應佔共同控制實體之虧損      | (81,686)      | (190,227)     |
| 視作出售聯營公司權益之虧損    | (33,085)      | (157,214)     |
| 出售聯營公司權益之(虧損)收益  | (2,012)       | 33,516        |
| 應收聯營公司款項之已確認減值虧損 | (6,068)       | (189,506)     |
| 可供出售投資之已確認減值虧損   | -             | (2,574)       |
| 衍生金融工具之公平值變動     | (34)          | (30)          |
| 可換股貸款票據投資之公平值變動  | 14,414        | 75,410        |
| 未分配企業收入          | 76,525        | 28,848        |
| 中央行政成本及其他未分配企業開支 | (91,469)      | (101,212)     |
| 融資成本             | (106,799)     | (95,045)      |
| 除稅前虧損            | (213,987)     | (1,451,904)   |
| 所得稅抵免            | 14,245        | -             |
| 持續經營業務之年內虧損      | (199,742)     | (1,451,904)   |
| <b>已終止業務</b>     |               |               |
| 已終止業務之年內(虧損)溢利   | (8,866)       | 3,488         |
| 年內虧損             | (208,608)     | (1,448,416)   |
| 非控股權益            | (856)         | (1,269)       |
| 本公司擁有人應佔年內虧損     | (209,464)     | (1,449,685)   |

於截至二零一零年十二月三十一日止年度，本集團錄得本公司擁有人應佔虧損209,500,000港元，而二零零九年則錄得虧損1,449,700,000港元。

## CONTINUING OPERATIONS

### LEISURE AND ENTERTAINMENT

The leisure and entertainment businesses are mainly formed by the core (i) Macau gaming business (conducted via 33.4%-owned Melco Crown Entertainment), (ii) Gaming machine revenue participation business (conducted through 39.4%-owned EGT), and (iii) lottery business (conducted through MelcoLot, in which the Group has an effective interest of 35.3% on a fully diluted basis (assuming full conversion of all outstanding convertibles)), together with other non-core businesses.

#### (1) Core businesses

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

#### (2) Non-core businesses

For the year ended 31 December 2010, profit from this segment amounted to HK\$0.9 million (2009: loss of HK\$0.8 million) and the breakdown is as follows:

|               | Year ended 31 December |                  |
|---------------|------------------------|------------------|
|               | 2010<br>HK\$'000       | 2009<br>HK\$'000 |
| Jumbo Kingdom | 1,532                  | 372              |
| Others        | (594)                  | (1,134)          |
|               | <u>938</u>             | <u>(762)</u>     |

#### Jumbo Kingdom

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

As the global economy slowly recovers from the financial crisis, the segment profit of the business improved to approximately HK\$1.5 million for the year ended 31 December 2010 (2009: HK\$0.4 million). The profit, which was partially offset by an increase in the repairs and maintenance expenses, mainly resulted from an increase in both revenue and gross margin from the food and beverage sector.

#### Others

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

### PROPERTY AND OTHER INVESTMENTS

This division handles property and other treasury investments for the Group. For the year ended 31 December 2010, it recorded a profit of HK\$26.2 million (2009: HK\$43.5 million). The decrease is primarily due to the drop in interest rates on loans to associates and short term deposits as compared to the previous year.

### SHARE OF LOSSES OF ASSOCIATES

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

|  | Year ended 31 December |                  |
|--|------------------------|------------------|
|  | 2010<br>HK\$'000       | 2009<br>HK\$'000 |
| Share of loss of Melco Crown Entertainment (1)                       | (13,437)               | (803,359)        |
| Share of loss of EGT (2)   | –                      | (53,487)         |
| Share of loss of MelcoLot (3)  | (737)                  | (2,224)          |
| Share of loss of MCR (4)   | –                      | (17,839)         |
| Share of profit of Value Convergence Holdings Limited ("VC") (5)     | –                      | 3,266            |
| Share of profit of iAsia Online Systems Limited ("iAsia Online") (6) | 1,773                  | 617              |
| Share of profit (loss) of Power Way Group Limited ("Power Way") (7)  | 1,458                  | (23,575)         |
|  | <u>(10,943)</u>        | <u>(896,601)</u> |

## 持續經營業務

### 消閒及娛樂

消閒及娛樂業務主要由以下核心業務組成：(i)澳門博彩業務（通過擁有33.4%權益的新濠博亞娛樂經營）；(ii)博彩機收益分成業務（通過擁有39.4%權益的EGT經營）；及(iii)彩票業務（通過新濠環彩經營，按全面攤薄基準計算，本集團持有新濠環彩的35.3%實際權益，此乃假設所有未行使之可換股項目獲悉數轉換），以及一項非核心業務。

#### (1) 核心業務

核心的澳門博彩業務、博彩機收益分成業務及彩票業務於「應佔聯營公司虧損」一節內匯報。

#### (2) 非核心業務

於截至二零一零年十二月三十一日止年度，來自此分類之溢利為900,000港元（二零零九年：虧損800,000港元），其分析如下：

|      | 截至十二月三十一日止年度 |              |
|------|--------------|--------------|
|      | 二零一零年<br>千港元 | 二零零九年<br>千港元 |
| 珍寶王國 | 1,532        | 372          |
| 其他   | (594)        | (1,134)      |
|      | <u>938</u>   | <u>(762)</u> |

### 珍寶王國

珍寶王國由位於香港仔之珍寶及太白海鮮舫組成。

隨著全球經濟從金融危機中緩緩復甦過來，此項業務於截至二零一零年十二月三十一日止年度的分類溢利約為1,500,000港元（二零零九年：400,000港元）。溢利主要源自餐飲界別之收益及毛利率上升，惟部份溢利被維修及保養開支增加所抵銷。

### 其他

其他項目主要包括中介控股公司之行政管理產生之專業費用以及綜合賬目產生之匯兌差額。

### 物業及其他投資

此部門負責本集團之物業及其他財資投資。截至二零一零年十二月三十一日止年度，此部門錄得溢利26,200,000港元（二零零九年：43,500,000港元），其溢利減少主要是因為向聯營公司提供貸款以及短期存款之利率較去年下跌所致。

### 應佔聯營公司虧損

本集團應佔聯營公司之虧損由以下各項組成：

|   | 截至十二月三十一日止年度    |                  |
|---|-----------------|------------------|
|   | 二零一零年<br>千港元    | 二零零九年<br>千港元     |
| 應佔新濠博亞娛樂之虧損(1)  | (13,437)        | (803,359)        |
| 應佔EGT之虧損(2)   | -               | (53,487)         |
| 應佔新濠環彩之虧損(3)  | (737)           | (2,224)          |
| 應佔MCR之虧損(4)   | -               | (17,839)         |
| 應佔滙盈控股有限公司<br>（「滙盈」）之溢利(5)                                  | -               | 3,266            |
| 應佔iAsia Online Systems<br>Limited（「iAsia Online」）<br>之溢利(6) | 1,773           | 617              |
| 應佔威域集團有限公司<br>（「威域」）之溢利（虧損）(7)                              | 1,458           | (23,575)         |
|   | <u>(10,943)</u> | <u>(896,601)</u> |



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

For the year under review, the Group's attributable loss arising from its 33.4% ownership of Melco Crown Entertainment amounted to approximately HK\$13.4 million (2009: HK\$803.4 million) after taking into account the adjustments under the generally accepted accounting principles ("GAAP") in Hong Kong.

According to its financial statements (prepared under US GAAP), Melco Crown Entertainment reported net revenue of US\$2.6 billion for the year ended 31 December 2010, versus US\$1.33 billion for the year ended 31 December 2009. Melco Crown Entertainment reported a net loss of US\$10.5 million for 2010, compared to a net loss of US\$308.5 million for 2009. The year-over-year improvement in net revenue and bottom-line results were primarily driven by the improved operating results at both City of Dreams and Altira Macau, as well as from the opening of City of Dreams in June of 2009 and its contribution to results for the entire twelve months of 2010.

For the year ended 31 December 2010, net revenue at City of Dreams was US\$1,638.3 million versus US\$552.1 million in the year ended 31 December 2009. City of Dreams generated a positive adjusted EBITDA of US\$326.4 million in 2010 compared with US\$56.7 million in 2009. Rolling chip volume totalled US\$51.8 billion for 2010, up from US\$20.3 billion in 2009. In the fourth quarter of 2010, the rolling chip hold percentage (calculated before discounts and commissions) was 2.9%, which was within the target rolling chip hold percentage of 2.7% – 3.0%. In the mass market table games segment, drop (a measure of mass market gaming volume) for the year totalled US\$2,059.3 million, up from US\$912.6 million in 2009. In the fourth quarter of 2010, the mass market win rate was 22%, which was within the expected range for mass market table games hold percentage of 20% – 22%.

For the year ended 31 December 2010, net revenue at Altira Macau was US\$859.7 million versus US\$658 million in the year ended 31 December 2009. Altira Macau generated a positive adjusted EBITDA of US\$133.7 million in 2010 compared with US\$13.7 million in 2009. Rolling chip volume totalled US\$40.3 billion for 2010, up from US\$37.5 billion in 2009. In the fourth quarter of 2010, the rolling chip hold percentage (calculated before discounts and commissions) was 2.9%, which was within the target rolling chip hold percentage of 2.7% – 3.0%. In the mass market table games segment, drop (a measure of mass market gaming volume) for the year totalled US\$377.1 million, up from US\$273 million generated in the previous year.

In the fourth quarter of 2010, the mass market table games hold percentage was 14.7% in 2010, which was within the expected range for mass market table games hold percentage of 15% – 17%.

Net operating revenue from Mocha Clubs totalled US\$112 million in the year ended 31 December 2010, up from US\$98 million in the year ended 31 December 2009. Mocha Clubs generated US\$29.8 million of adjusted EBITDA in 2010, as compared to US\$25.4 million in the previous year. In the fourth quarter of 2010, the number of gaming machines in operation at the Mocha Clubs averaged approximately 1,600. The net win per gaming machine per day was US\$208 for the fourth quarter of 2010, as compared with US\$174 for the same period last year.

## (2) Share of loss of EGT

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

During the year 2009, the Group's interest in EGT was written down to zero. As an investment could not be written down below zero, the loss attributable to the Group was only restricted to the carrying value of the investment. For the year ended 31 December 2010, no further attributable loss was incurred to the Group. During the year ended 31 December 2009, the Group's attributable loss arising from EGT amounted to approximately HK\$53.5 million after taking into account the adjustments under GAAP in Hong Kong.





## (1) 應佔新濠博亞娛樂之虧損

於回顧年度，經計及根據香港普遍採用之會計原則作出的調整後，本集團因擁有新濠博亞娛樂之33.4%權益而應佔之虧損約為13,400,000港元（二零零九年：803,400,000港元）。

根據新濠博亞娛樂按照美國普遍採用之會計原則編製之財務報表，新濠博亞娛樂於截至二零一零年十二月三十一日止年度錄得淨收益2,600,000,000美元，而截至二零零九年十二月三十一日止年度則為1,330,000,000美元。新濠博亞娛樂於二零一零年錄得虧損淨額10,500,000美元，而二零零九年則錄得虧損淨額308,500,000美元。淨收益和最終業績均勝去年，主要動力來自新濠天地及新濠鋒之經營業績均見提升，以及新濠天地於二零零九年六月開業及其對二零一零年度全部十二個月之業績貢獻。

於截至二零一零年十二月三十一日止年度，新濠天地之淨收益為1,638,300,000美元而截至二零零九年十二月三十一日止年度則為552,100,000美元。新濠天地於二零一零年錄得正面的經調整EBITDA為326,400,000美元，而二零零九年則為56,700,000美元。二零一零年之轉碼數總額由二零零九年之20,300,000,000美元上升至51,800,000,000美元。二零一零年第四季之轉碼博彩贏款率（未計折扣及佣金）為2.9%，屬於目標的轉碼博彩贏款率2.7%至3.0%之內。於中場博彩桌分部，本年度之入箱額（中場博彩額的計算方法）合共為2,059,300,000美元，較二零零九年之912,600,000美元有所增加。二零一零年第四季之中場博彩贏款率為22%，屬於中場博彩桌的預期博彩贏款率範圍20%至22%之內。

於截至二零一零年十二月三十一日止年度，新濠鋒之淨收益為859,700,000美元，而截至二零零九年十二月三十一日止年度則為658,000,000美元。新濠鋒於二零一零年錄得正面的經調整EBITDA為133,700,000美元，二零零九年則為13,700,000美元。二零一零年之轉碼數總額由二零零九年之37,500,000,000美元上升至40,300,000,000美元。二零一零年第四季之轉碼博彩贏款率（未計折扣及佣金）為2.9%，屬於目標的轉碼博彩贏款率2.7%至3.0%之內。於中場博彩桌分部，本年度之入箱額（中場博彩額的計算方法）合共為377,100,000美元，較上年的273,000,000美元有所增加。二零一零年第四季之中場博彩桌的博彩贏款率為14.7%，屬於中場博彩桌的預期博彩贏款率範圍15%至17%之內。

摩卡娛樂場截至二零一零年十二月三十一日止年度之淨經營收益合共為112,000,000美元，較截至二零零九年十二月三十一日止年度之98,000,000美元錄得增長。摩卡娛樂場於二零一零年之經調整EBITDA為29,800,000美元，與去年之25,400,000美元相若。於二零一零年第四季，摩卡娛樂場經營的博彩機數目平均約為1,600台。二零一零年第四季度每台博彩機每日的平均淨派彩為208美元，而去年同期則為174美元。

## (2) 應佔EGT之虧損

EGT於紐約證券交易所Amex上市，其為領先的電子博彩機供應商，以收益分成模式向東南亞博彩企業提供服務。EGT保留博彩機及系統的擁有權，並根據每台博彩機之淨派彩的協定百分比而收取經常收費，EGT亦提供現場保養服務。

於二零零九年度，本集團於EGT之權益已撇減至零。由於一項投資之價值不能撇減至零以下，因此，本集團應佔之虧損僅以該項投資的賬面值為限。於截至二零一零年十二月三十一日止年度，本集團並無錄得進一步應佔虧損。於截至二零零九年十二月三十一日止年度，經計及根據香港普遍採用之會計原則作出的調整後，本集團應佔EGT之虧損約為53,500,000港元。



According to the financial statements of EGT (prepared under US GAAP), consolidated revenue for the year increased to approximately US\$22.2 million as compared to approximately US\$15.6 million in 2009. The increase in revenue was driven by strong performance by gaming machines on participation and the non-gaming business partially offset by a decline in the table game operations due to a large RFID gaming chip order recorded in 2009. For the fiscal year 2010, EGT reported a net loss of approximately US\$5.2 million compared to a net loss of approximately US\$26.4 million in 2009. Adjusted EBITDA for the year was approximately US\$8.2 million as compared to US\$33,000 for the fiscal year 2009.

As of 28 February 2011, EGT had an operating machine base of 1,608 machines at a total of eight venues, comprised of six venues in the Philippines with a total of 878 installed units and two venues in Cambodia with a total of 730 installed units.

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

### (3) Share of loss of MelcoLot

As at 31 December 2009, the Group's interest in MelcoLot was written down to zero. During the year under review, the Group acquired additional shares from a shareholder of MelcoLot at a consideration of approximately HK\$0.7 million. The Group's share of loss of MelcoLot has exceeded the sum of the carrying value of the interest in MelcoLot during the reviewed year. As an investment cannot be written down below zero, the loss attributable to the Group was restricted to the carrying value of the investment, which was HK\$0.7 million (2009: HK\$2.2 million) for the year ended 31 December 2010.

According to the financial statements of MelcoLot, it recorded revenue of approximately HK\$80.6 million for the year ended 31 December 2010, as compared to approximately HK\$86.1 million in 2009. MelcoLot reported a loss from continuing operations for the year amounted to approximately HK\$171.3 million, compared to approximately HK\$355.9 million in 2009. The improvement was mainly driven by reduction in

impairment loss on goodwill by HK\$178.1 million from HK\$216.9 million in 2009 to HK\$38.8 million in 2010 in relation to acquisitions of subsidiaries in previous years.

The loss of HK\$41.5 million from the discontinued operations disclosed in the year ended 31 December 2009 related to MelcoLot's network system integration operations, which were disposed of in December 2009 in order to enable MelcoLot to enhance its development efforts in relation to new lottery related growth opportunities.

### (4) Share of loss of MCR

MCR, in which the Group has an equity interest of 28.7%, owns and operates ski resorts in China, namely Sun Mountain Yabuli Resort in Heilongjiang ("Yabuli Resort").

During the year 2009, the Group's interest in MCR has become zero. As there is no contractual obligation to share additional loss, the loss attributable to the Group was restricted to the carrying value of the investment. For the year ended 31 December 2010, no further attributable loss was shared by the Group (2009: share of loss of HK\$17.8 million).

### (5) Share of profit of VC

On 24 September 2009, the Group completed the disposal of its entire interests in VC at the price of HK\$1.92 per placing share. The profit attributable to the Group from its 43.2% ownership of VC before its disposal on 24 September 2009 amounted to HK\$3.3 million.

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

On 4 June 2009, the Group completed the disposal of 80% of the issued share capital of iAsia Online, at a consideration of HK\$12 million. Effective the same date, iAsia Online became an associate of the Group thenceforth. On 14 July 2010, the Group accepted a call option notice from the purchaser for the exercise of the call option to acquire the remaining 20% of the issued share capital of iAsia Online, at an agreed consideration of HK\$3 million. The disposal was completed on 5 October 2010.

The profit attributable to the Group from its 20% ownership of iAsia Online before its disposal on 5 October 2010 amounted to HK\$1.8 million (4 June 2009 to 31 December 2009: HK\$0.6 million).

根據EGT按照美國普遍採用之會計原則編製之財務報表，其年內綜合收益已增至約22,200,000美元，而截至二零零九年則約為15,600,000美元。收益增加是由博彩機分成及非博彩業務表現強勁所帶動，但博彩桌業務表現倒退（原因為二零零九年度內錄得大宗大額RFID博彩籌碼訂單）抵銷了部份利好因素。於二零一零年財政年度，EGT錄得虧損淨額約5,200,000美元，而二零零九年則錄得虧損淨額約26,400,000美元。年內之經調整EBITDA約為8,200,000美元，而二零零九年財政年度則為33,000美元。

於二零一一年二月二十八日，EGT於合共八個場所已投入營運的博彩機總數為1,608台，其中在菲律賓的六個場所已裝置共878台博彩機，而於柬埔寨的兩個場所已裝置共730台博彩機。

憑藉經改善的營運架構，其核心博彩分成業務創造之強勁現金流，以及將未償還票據之本金還款時間延至二零一一年七月令財務彈性增加，EGT正積累本身之現金水平以備未來拓展之用，其亦專攻經篩選並且具有提升長線回報潛力的博彩項目。

### (3) 應佔新濠環彩之虧損

於二零零九年十二月三十一日，本集團於新濠環彩之權益已撇減至零。於回顧年度，本集團向新濠環彩的一名股東增購股份，代價約為700,000港元。本集團應佔新濠環彩之虧損已超過新濠環彩權益於回顧年度之賬面值總額。由於一項投資之價值不能撇減至零以下，因此，本集團應佔之虧損僅以該項投資之賬面值為限，於截至二零一零年十二月三十一日止年度為700,000港元（二零零九年：2,200,000港元）。

根據新濠環彩之財務報表，其於截至二零一零年十二月三十一日止年度之收益約為80,600,000港元，而二零零九年則約為86,100,000港元。新濠環彩年內之持續經營業務虧損約為171,300,000港元，二零零九年則約為355,900,000港元，業績改善主要是因為有關以往年度收購附屬公司之商譽的減值虧損由二零零九年之216,900,000港元削減178,100,000港元至二零一零年之38,800,000港元。

於截至二零零九年十二月三十一日止年度所披露已終止業務之虧損41,500,000港元，是與新濠環彩之網絡系統集成業務有關。新濠環彩已於二零零九年十二月出售該項業務，以更著力發展新的彩票相關增長商機。

### (4) 應佔MCR之虧損

本集團擁有MCR之28.7%股本權益。MCR在中國擁有及經營滑雪渡假村—即位於黑龍江的亞布力陽光渡假村（「亞布力渡假村」）。

於二零零九年度，本集團於MCR之權益已變為零。由於並無分佔額外虧損之合約責任，本集團應佔之虧損僅以投資的賬面值為限。於截至二零一零年十二月三十一日止年度，本集團並無分佔進一步應佔虧損（二零零九年：分佔虧損17,800,000港元）。

### (5) 應佔滙盈之溢利

於二零零九年九月二十四日，本集團以每股配售股份1.92港元之價格完成出售其於滙盈之全部股本權益。於二零零九年九月二十四日出售滙盈前，本集團因擁有滙盈之43.2%權益所應佔的溢利為3,300,000港元。

### (6) 應佔iAsia Online之溢利

於二零零九年六月四日，本集團完成以12,000,000港元之代價出售iAsia Online之80%已發行股本，而iAsia Online亦因此由當日起成為本集團之聯營公司。於二零一零年七月十四日，本集團收到買方就以3,000,000港元之協定代價行使認購期權以收購iAsia Online餘下20%已發行股本所發出之認購期權通知。出售事項已於二零一零年十月五日完成。

於二零一零年十月五日出售iAsia Online前，本集團因擁有iAsia Online之20%權益所應佔的溢利為1,800,000港元（二零零九年六月四日至二零零九年十二月三十一日：600,000港元）。

## (7) Share of profit (loss) of Power Way

In 2007, the Group underwent a restructuring of its lottery management business by the disposal of its interest in a then subsidiary, PAL Development Limited (“PAL”), to a special purpose company called Power Way, which was formed by the Group and certain independent third parties (collectively referred as “Power Way Shareholders”). On the same date, after the transfer of the interest in PAL and certain subsidiaries (collectively the “Assets”) from the Power Way Shareholders to Power Way, Power Way then disposed of the Assets to MelcoLot Limited (“MelcoLot”) in exchange for certain shares and convertible loan note issued by MelcoLot. Power Way had since become an associate of the Company. In 2008, Power Way distributed all shares and the convertible loan note issued by MelcoLot to its shareholders in proportion to the shareholding of each shareholder. MelcoLot then became a direct associate of the Group.

During the year ended 31 December 2010, the attributable profit arising from Power Way amounted to HK\$1.5 million (2009: attributable loss of HK\$23.6 million, of which approximately HK\$44 million was due to impairment for a loan to an associate of the Group).

## SHARE OF LOSS OF A JOINTLY CONTROLLED ENTITY

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

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



In September 2010, approximately HK\$1,676.6 million (US\$215.5 million) Exchangeable Bonds was redeemed by the holders of Exchangeable Bonds. The redemption of Exchangeable Bonds was jointly and severally funded by the Group and Crown Limited through repurchase of MCE ADSs. Each party contributed approximately HK\$106 million to Melco Crown SPV in September 2010.

For the year ended 31 December 2010, the attributable loss amounting to approximately HK\$81.7 million (2009: HK\$190.2 million) was recognised in profit or loss.

## LOSS ON DEEMED DISPOSAL OF INTERESTS IN ASSOCIATES

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

|  | Year ended 31 December |                  |
|--|------------------------|------------------|
|  | 2010<br>HK\$'000       | 2009<br>HK\$'000 |
| Loss on deemed disposal of interest in Melco Crown Entertainment (1) | (33,085)               | (156,980)        |
| Loss on deemed disposal of interest in VC (2)                        | –                      | (234)            |
|  | <u>(33,085)</u>        | <u>(157,214)</u> |



## (7) 應佔威域之溢利(虧損)

於二零零七年，本集團重組旗下的彩票管理業務，將其於寶加發展有限公司(「寶加」，當時為集團之附屬公司)的權益，出售予威域。威域是本集團與若干獨立第三方(統稱「威域股東」)組建的特殊目的公司。同日，威域股東向威域轉讓寶加及若干附屬公司之權益(統稱為「該等資產」)後，威域繼而將該等資產售予新濠環彩有限公司(「新濠環彩」)，以換取新濠環彩發行若干股份及可換股貸款票據。威域亦自此成為本公司之聯營公司。於二零零八年，威域按各股東之股權比例，將持有的新濠環彩股份及可換股貸款票據悉數分派予各股東。新濠環彩亦自此成為本集團之直接聯營公司。

截至二零一零年十二月三十一日止年度，本集團來自威域之應佔溢利約為1,500,000港元(二零零九年：應佔虧損23,600,000港元，其中約44,000,000港元是源自向本集團聯營公司提供貸款之減值)。

### 應佔共同控制實體之虧損

於二零零七年七月三十日，本集團與Crown Limited(前稱PBL)成立各佔一半權益之合營公司Melco Crown SPV Limited(「Melco Crown SPV」)，目的為發行本金金額合共1,560,000,000港元(200,000,000美元)之可互換債券(「可互換債券」)，連同根據超額配發權可發行額外390,000,000港元(50,000,000美元)之可互換債券，以提供收購新濠博亞娛樂美國預託股份(「新濠博亞娛樂美國預託股份」)之股份收購計劃所需的資金。

本金金額合共為1,560,000,000港元(200,000,000美元)及390,000,000港元(50,000,000美元)(共計250,000,000美元)之可互換債券，已分別於二零零七年九月十一日及二零零七年九月二十四日發行，此兩批可互換債券均會於二零一二年九月到期，並已於新加坡證券交易所上市。本集團與Crown Limited就可互換債券提供共同及個別之擔保。可互換債券之持有人擁有一項可於二零一零年九月行使之認沽期權，以要求Melco Crown SPV贖回總本金額之全數。認沽期權僅可於單一情況在二零一零年九月行使及不可於該日期後行使。

於二零一零年九月，可互換債券持有人贖回約1,676,600,000港元(215,500,000美元)之可互換債券。本集團與Crown Limited通過購回新濠博亞娛樂美國預託股份而共同及個別地撥付贖回可互換債券之資金。各方於二零一零年九月對Melco Crown SPV出資約106,000,000港元。

截至二零一零年十二月三十一日止年度，已於損益確認應佔虧損約81,700,000港元(二零零九年：190,200,000港元)。

### 視作出售聯營公司權益之虧損

視作出售聯營公司權益之虧損由以下各項組成：

|                        | 截至十二月三十一日止年度 |              |
|------------------------|--------------|--------------|
|                        | 二零一零年<br>千港元 | 二零零九年<br>千港元 |
| 視作出售新濠博亞娛樂<br>權益之虧損(1) | (33,085)     | (156,980)    |
| 視作出售滙盈權益之虧損(2)         | -            | (234)        |
|                        | (33,085)     | (157,214)    |

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

During the year ended 31 December 2010, the Group's ownership in Melco Crown Entertainment decreased from 33.5% to 33.4%, as a result of the vesting of certain restricted shares issued by Melco Crown Entertainment. The Group recognised a loss of approximately HK\$33.1 million representing the decrease in net assets attributable to the Group of approximately HK\$33 million and the realisation of special reserve to profit or loss of approximately HK\$0.1 million.

### **(2) Loss on deemed disposal of interest in VC**

During the year ended 31 December 2009, the Group's equity interest in VC decreased resulting from the exercise of certain share options of VC by the option holders. The Group recognised a loss of approximately HK\$234,000 representing the decrease in net assets of VC attributable to the Group.

### **(LOSS) GAIN ON DISPOSAL OF INTEREST IN AN ASSOCIATE**

On 5 October 2010, the Group disposed of its remaining 20% ownership of iAsia Online at a consideration of approximately HK\$3 million. A loss on disposal of approximately HK\$2 million representing the excess of net assets attributable to the Group over the consideration received was recognised at the date of disposal.

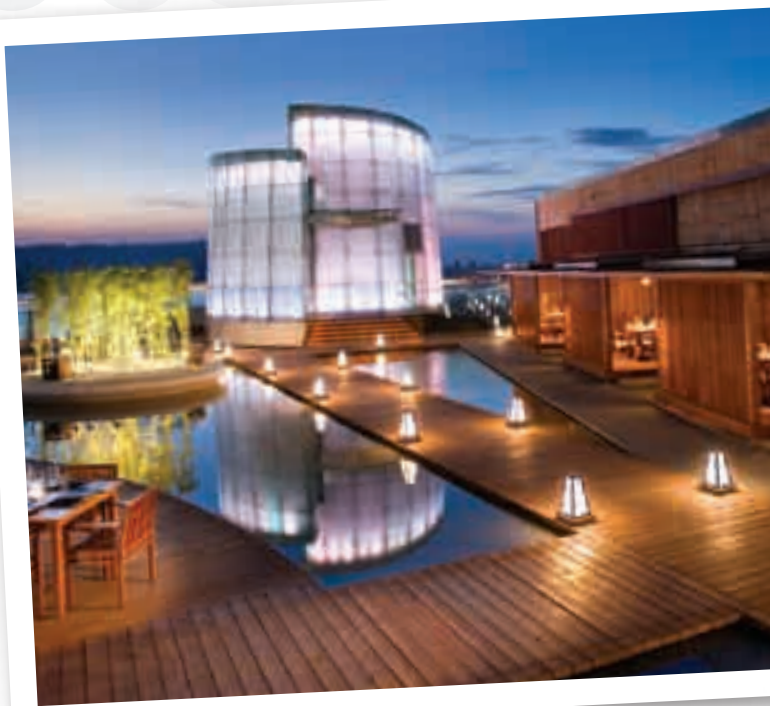
On 24 September 2009, the Group disposed of its entire interests in VC at a net consideration of approximately HK\$302.6 million. The Group recognised a gain on disposal of VC of approximately HK\$33.5 million during the year.

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

During the year ended 31 December 2010, the Group recognized an increase in fair value of convertible loan note issued by MelcoLot amounting to approximately HK\$14.4 million (2009: HK\$75.4 million).

### **UNALLOCATED CORPORATE INCOME**

For the year ended 31 December 2010, the unallocated corporate income of approximately HK\$76.5 million (2009: HK\$28.8 million) consisted of net amortised financial guarantee income of approximately HK\$69.9 million (2009: HK\$20.8 million) in relation to the joint and several financial guarantee provided by the Company and Crown Limited for the Exchangeable Bonds issued by Melco Crown SPV and a gain of extension of long term payable to Crown Limited of approximately HK\$6.6 million (2009: HK\$8 million).



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

Unallocated corporate expenses decreased by 10% from approximately HK\$101.2 million in 2009 to HK\$91.5 million in 2010. The decrease was primarily due to reduction in staff costs during the reviewed year.

### **FINANCE COSTS**

Finance costs increased by 12% from approximately HK\$95 million in 2009 to approximately HK\$106.8 million in 2010. The increase was primarily a combined result of an increase in imputed interest expense of HK\$29.6 million on the convertible loan note and a decrease in interest expense of HK\$19.1 million on the shareholder's loan which was fully repaid in October 2009.

**(1) 視作出售新濠博亞娛樂權益之虧損**

於截至二零一零年十二月三十一日止年度，由於新濠博亞娛樂發行之若干受限制股份的歸屬，本集團於新濠博亞娛樂之擁有權由33.5%減至33.4%。本集團確認虧損約33,100,000港元，此為本集團應佔資產淨值減少約33,000,000港元以及於損益實現特別儲備約100,000港元。

**(2) 視作出售滙盈權益之虧損**

於截至二零零九年十二月三十一日止年度，由於滙盈購股權持有人行使若干滙盈購股權，本集團持有之滙盈股本權益已經減少。本集團已確認約234,000港元之虧損，此為本集團應佔滙盈資產淨值之減少。

**出售聯營公司權益之(虧損)收益**

於二零一零年十月五日，本集團以約3,000,000港元之代價出售其持有之iAsia Online餘下20%擁有權。出售產生之虧損約為2,000,000港元，此為本集團於出售日期已確認應佔資產淨值較已收代價多出之數。

於二零零九年九月二十四日，本集團出售其於滙盈之全部權益，代價淨額約為302,600,000港元。本集團於年內已確認出售滙盈之收益約33,500,000港元。

**可換股貸款票據投資之公平值變動**

於截至二零一零年十二月三十一日止年度，本集團就新濠環彩發行之可換股貸款票據確認公平值增加約14,400,000港元(二零零九年：75,400,000港元)。

**未分配企業收入**

於截至二零一零年十二月三十一日止年度，未分配企業收入約為76,500,000港元(二零零九年：28,800,000港元)，包括本公司與Crown Limited就Melco Crown SPV發行之可互換債券提供之共同及個別財務擔保的經攤銷財務擔保收入淨額約69,900,000港元(二零零九年：20,800,000港元)以及應付Crown Limited之長期款項獲延期所產生的收益約6,600,000港元(二零零九年：8,000,000港元)。

**中央行政成本及其他未分配企業開支**

未分配企業開支由二零零九年約101,200,000港元削減10%至二零一零年之91,500,000港元，主要是於回顧年度員工成本下降所致。

**融資成本**

融資成本由二零零九年約95,000,000港元增加12%至二零一零年約106,800,000港元。融資成本增加主要是因為可換股貸款票據之推算利息開支增加29,600,000港元及已於二零零九年十月悉數償還之股東貸款利息開支減少19,100,000港元的綜合影響所致。



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## INCOME TAX CREDIT

A deferred tax of HK\$14.2 million (2009: Nil) was credited to the consolidated statement of comprehensive income for the year ended 31 December 2010. This was related to an amortisation of deferred tax liability on recognition of equity component of convertible loan note during the year.

## DISCONTINUED OPERATIONS

### Disposal of subsidiaries

The Group's technology business was conducted through its wholly owned subsidiaries, EGT Entertainment Holding Limited (formerly known as Elixir Group Limited) ("Elixir Technology") and iAsia Online. During the year ended 31 December 2010, the Group disposed of its entire equity interest in Elixir International Limited ("ELI") and iAsia Online. The purpose of the disposals was to streamline and focus the Group's business on the leisure and entertainment segment.

#### *Elixir Technology*

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

In April 2010, the Group entered into an agreement to dispose of its 100% equity interest in ELI at a consideration of HK\$0.4 million resulting in a loss on disposal of approximately HK\$3.5 million. ELI ceased to be a subsidiary of the Group from July 2010 onwards.

#### *iAsia Online*

On 4 June 2009, the Group completed the disposal of 80% of the issued share capital of iAsia Online at a consideration of HK\$12 million resulting in a loss of approximately HK\$1.8 million. On 14 July 2010, the Group accepted a call option notice from the purchaser for the exercise of the call option to acquire the remaining 20% of the issued share capital of iAsia Online, at an agreed consideration of HK\$3 million. The disposal was completed on 5 October 2010 resulting in a loss on disposal of an associate of approximately HK\$2 million.

The results of iAsia Online for the year ended 31 December 2010 are shown under the category of "SHARE OF LOSSES OF ASSOCIATES".

The (loss) profit for the year from the discontinued operations is analysed as follows:

|   | Year ended 31 December |                  |
|---|------------------------|------------------|
|   | 2010<br>HK\$'000       | 2009<br>HK\$'000 |
| (Loss) profit of technology business for the year | (5,393)                | 5,292            |
| Loss on disposal of technology business           | (3,473)                | (1,804)          |
|   | <u>(8,866)</u>         | <u>3,488</u>     |

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

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

As of 31 December 2010, total assets of the Group were HK\$8,340.7 million (2009: HK\$8,537.9 million) which were financed by shareholders' funds of HK\$6,828 million (2009: HK\$6,681.8 million), non-controlling interests of HK\$27.9 million (2009: HK\$27.3 million), current liabilities of HK\$161 million (2009: HK\$1,608.1 million), and non-current liabilities of HK\$1,323.8 million (2009: HK\$220.7 million). The Group's current ratio, expressed as current assets over current liabilities, was maintained at a satisfactory level of 5.2 (2009: 0.7).

During the year ended 31 December 2010, the Group recorded a net cash outflow of HK\$8.2 million (2009: HK\$86.1 million). As of 31 December 2010, cash and cash equivalents of the Group totalled HK\$145.5 million (2009: HK\$153.8 million). The gearing ratio, expressed as a percentage of total borrowings (including bank borrowings, convertible loan note and long term payable) over shareholders' funds, was at a satisfactory level of 19% as of 31 December 2010 (2009: 23%). The Group adopts a prudent treasury policy. 89% of bank balances and cash (including bank deposits with original maturity over three months) are put in short-term fixed deposits. All borrowings, and bank balances and cash are mainly denominated in Hong Kong dollars and U.S. dollars to maintain stable exposure to foreign exchange risks. Also, as at 31



## 所得稅抵免

14,200,000港元(二零零九年：無)之遞延稅項已計入截至二零一零年十二月三十一日止年度之綜合全面收益表，此與年內確認可換股貸款票據權益部份的遞延稅項負債之攤銷有關。

## 已終止業務

### 出售附屬公司

本集團透過全資附屬公司EGT Entertainment Holding Limited (前稱御想集團有限公司)(「御想科技」)及iAsia Online經營科技業務。於截至二零一零年十二月三十一日止年度，本集團出售其於御想國際有限公司(「御想國際」)及iAsia Online之全部股本權益，以精簡本集團之業務以便主力發展消閒及娛樂業務。

#### 御想科技

御想科技通過其附屬公司御想國際之營運而專門為物業開發(集中於酒店及娛樂場建築基礎設施)設計、策劃、管理及實施綜合之資訊、通訊及技術服務的公司。

於二零一零年四月，本集團訂立協議以400,000港元之代價出售御想國際之100%股本權益並產生約3,500,000港元之虧損。御想國際已由二零一零年七月起不再是本集團之附屬公司。

#### iAsia Online

於二零零九年六月四日，本集團完成以12,000,000港元之代價出售iAsia Online之80%已發行股本並產生約1,800,000港元之虧損。於二零一零年七月十四日，本集團收到買方就以3,000,000港元之協定代價行使認購期權以收購iAsia Online餘下20%已發行股本所發出之認購期權通知。出售事項已於二零一零年十月五日完成並產生約2,000,000港元之出售聯營公司虧損。

iAsia Online截至二零一零年十二月三十一日止年度之業績載列於「應佔聯營公司虧損」項下。

已終止業務之年內(虧損)溢利分析如下：

|               | 截至十二月三十一日止年度   |              |
|---------------|----------------|--------------|
|               | 二零一零年<br>千港元   | 二零零九年<br>千港元 |
| 科技業務之年內(虧損)溢利 | (5,393)        | 5,292        |
| 出售科技業務之虧損     | (3,473)        | (1,804)      |
|               | <u>(8,866)</u> | <u>3,488</u> |

## 流動資金及財務資源／資本結構／集團資產抵押

本集團以內部資源、經營活動所產生現金收益以及銀行借貸撥付業務營運及投資所需。

於二零一零年十二月三十一日，本集團之總資產達8,340,700,000港元(二零零九年：8,537,900,000港元)，乃來自6,828,000,000港元的股東資金(二零零九年：6,681,800,000港元)、27,900,000港元的非控股權益(二零零九年：27,300,000港元)，以及161,000,000港元之流動負債(二零零九年：1,608,100,000港元)及1,323,800,000港元的非流動負債(二零零九年：220,700,000港元)。本集團之流動比率(即流動資產除以流動負債之比)為5.2(二零零九年：0.7)，保持在令人滿意之水平。

於截至二零一零年十二月三十一日止年度，本集團錄得8,200,000港元之現金流出淨額(二零零九年：86,100,000港元)。於二零一零年十二月三十一日，本集團之現金及現金等值項目總額達145,500,000港元(二零零九年：153,800,000港元)。於二零一零年十二月三十一日之資本負債比率，即總借貸(包括銀行借貸、可換股貸款票據及長期應付款項)除以股東資金之百分比為19%(二零零九年：23%)，保持在令人滿意之水平。本集團採取穩健之資金管理政策。銀行結餘及現金(包括原存款期超過三個月的銀行存款)中的89%為短期定期存款。所有借貸、銀行結餘及現金主要以港元及美元定值，從而將外匯風險保持穩定。此外，於二零一零年十二月三十一日，已就本集團若干附屬公司取得銀行融資而抵押約900,000港元(二零零九年：900,000港元)之本集團銀行存款。



result of the net effect of i) a share placement by MCR in which MCR issued 100,000,000 new shares to Wisecord Holdings Limited (“WHL”), a third party of the Group, ii) the conversion of approximately US\$1,000,000 (equivalent to approximately HK\$7,780,000) amount due from MCR into 6,686,666 common shares of MCR and iii) conversion of 8,437,565 class B non-voting shares held by the Group into common shares of MCR.

In connection to the above placement and conversion of shares, the Group signed an agreement with WHL whereas the amount due from MCR amounting to US\$23,000,000 (equivalent to approximately HK\$178,940,000) (“MCR Loan”) will become interest bearing at 3% per annum and repayable at 31 March 2013. Moreover, WHL has the right to require the Group to convert all or part of MCR Loan at 50% discount plus accrued interest into MCR shares (“Converted Shares”) at a price equal to (a) 70% of the

said weighted average trading price of MCR or (b) C\$1.00 whichever is higher (“Conversion Price”) if MCR’s 30 consecutive day weighted average trading price exceeds C\$1.00 at any time before 31 March 2013. Also, WHL has a call option to purchase one-third of the Converted Shares at the Conversion Price within 30 days of the conversion.

December

2010, the Group’s bank deposit of approximately HK\$0.9 million (2009: HK\$0.9 million) were pledged for obtaining banking facilities for certain subsidiaries of the Group.

As at 31 December 2010, the Group’s total convertible loan note amounted to HK\$844.6 million, which was non-interest bearing and due in September 2013. The long term payable to Crown Limited by the Group amounted to HK\$170.5 million, which was unsecured, non-interest bearing and due in May 2012. As at 31 December 2010, the Group’s total available bank loan facilities from various banks amounted to HK\$292.2 million (2009: HK\$216.6 million), of which HK\$69.2 million (2009: HK\$66.6 million) was secured by pledging HK\$166 million of the Group’s investment properties. As at 31 December 2010, the Group utilized HK\$200 million and HK\$69.2 million of unsecured and secured bank loan facilities respectively (2009: unsecured HK\$150 million; secured HK\$66.6 million). Details of bank borrowings are given in Note 39 to the consolidated financial statements.

## MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

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

### Deemed Disposal of MCR

On 8 April 2010, the Group’s ownership interest in its associate, MCR, decreased from 49.3% to 28.7% as a

### Disposal of 100% Equity Interest in ELI

In April 2010, the Group entered into an agreement to dispose of its 100% equity interest in a subsidiary, ELI, which carried out the Group’s technology business. The disposal was completed on 16 July 2010 and the resulted loss on disposal of ELI was approximately HK\$3.5 million.

## HEADCOUNT/EMPLOYEES’ INFORMATION

The total number of the Group’s employees was 11,281 as of 31 December 2010. Excluding the employees from associates such as Melco Crown Entertainment, MelcoLot, MCR, and EGT, the total number of the Group’s employees becomes 241 as of 31 December 2010 (2009: 299 employees). The reduction in headcount is primarily because the number of employees as of 31 December 2010 excluded the employees of ELI (the disposal of ELI was completed on 16 July 2010). Among the 241 employees, 236 are located in Hong Kong and the rest are based in Macau and the PRC. The related staff costs for the year ended 31 December 2010, including directors’ emoluments, share options expenses and share award expenses, amounted to HK\$101.8 million (2009: HK\$125.5 million).

於二零一零年十二月三十一日，本集團之可換股貸款票據合共為844,600,000港元，並為免息及於二零一三年九月到期。本集團應付予Crown Limited之長期款項為170,500,000港元，並為無抵押、免息以及於二零一二年五月到期。於二零一零年十二月三十一日，本集團獲得多間銀行提供之可動用銀行貸款融資總額為292,200,000港元（二零零九年：216,600,000港元），其中69,200,000港元（二零零九年：66,600,000港元）以本集團166,000,000港元之投資物業作抵押。於二零一零年十二月三十一日，本集團已動用之無抵押及有抵押銀行貸款融資分別為200,000,000港元及69,200,000港元（二零零九年：無抵押150,000,000港元；有抵押66,600,000港元）。銀行借貸之詳情載於綜合財務報表附註39。

## 重大收購、出售及主要投資

本集團於年內訂立之出售如下：

### 視作出售MCR

由於以下各項之淨影響：i) MCR進行股份配售，據此，其向本集團之一名第三方智皇集團有限公司（「智皇」）發行100,000,000股新股份；ii) 應收MCR約1,000,000美元（相當於約7,780,000港元）之款項已轉換為6,686,666股MCR普通股；及iii) 本集團持有之8,437,565股B類無投票權股份已轉換為MCR之普通股，因此，於二零一零年四月八日，本集團於聯營公司MCR之擁有權已由49.3%減至28.7%。

就著上述之股份配售及換股，本集團與智皇簽訂協議，據此，應收MCR的23,000,000美元（相當於約178,940,000港元）之款項（「MCR貸款」）將變為按年利率3厘計息並須於二零一三年三

月三十一日償還。此外，若MCR於二零一三年三月三十一日前任何時間的30個連續交易日之加權平均成交價超過1.00加元，智皇有權要求本集團將MCR貸款之全部或部份按50%之折讓再加上應計利息，根據相等於(a) MCR上述之加權平均成交價之70%；或(b) 1.00加元（以兩者之較高者為準）之價格（「換股價」）轉換成MCR股份（「換股股份」）。此外，智皇享有認購期權，可於換股後三十日內按換股價購買換股股份的三分之一。

### 出售御想國際之100%股本權益

於二零一零年四月，本集團訂立協議出售其附屬公司御想國際（此公司從事本集團之科技業務）之100%股本權益。此項出售已於二零一零年七月十六日完成，而出售御想國際所產生之虧損約為3,500,000港元。

## 僱員

於二零一零年十二月三十一日，本集團之僱員總數為11,281人。若不包括新濠博亞娛樂、新濠環彩、MCR及EGT等聯營公司之僱員，則本集團於二零一零年十二月三十一日之僱員總數為241人（二零零九年：299人）。僱員人數減少，主要是因為於二零一零年十二月三十一日之僱員人數已經撤除御想國際之僱員（出售御想國際一事已於二零一零年七月十六日完成）。241名僱員當中，有236人駐於香港，其餘僱員則駐於澳門及中國。截至二零一零年十二月三十一日止年度之相關僱員成本（包括董事酬金、購股權開支以及股份獎勵開支）為101,800,000港元（二零零九年：125,500,000港元）。



## HUMAN RESOURCES

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

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

### 1. Recruitment

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

### 2. Performance and Rewards

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

### 3. Learning and Development

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

## CONTINGENT LIABILITIES

During the year ended 31 December 2010, the Company and one of its wholly-owned subsidiaries were defendants in respect of an alleged claim by a shareholder of EGT. However, no provision has been provided for this case because the litigation is still at its preliminary stage and it is

premature to predict the outcome or reasonably estimate a range of possible loss.

The Group recognised a financial guarantee liability of approximately HK\$76.3 million as at 31 December 2010 in respect of the Exchangeable Bonds issued by Melco Crown SPV, the jointly controlled entity of the Group, which are jointly and severally guaranteed by the Company and Crown Limited.

## FOREIGN EXCHANGE EXPOSURE

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

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

## DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: Nil).

## CORPORATE RECOGNITION

### Corporate Governance

For the Group's commitment to good corporate governance, Melco was granted the "Corporate Governance Asia Annual Recognition Award" by *Corporate Governance Asia* magazine for the fifth consecutive year (2006-2010), and once again received the "Best Corporate Governance" award for the second time by the authoritative *FinanceAsia* magazine in 2010. *FinanceAsia* has also honored Melco as one of Hong Kong's "Best Managed Companies" for the fourth year running; "Best Mid-Cap"; and "Best in Corporate Social Responsibility"; with Group Chairman and Chief Executive Officer, Mr. Lawrence Ho, selected as one of the "Best CEOs in Hong Kong". In striving for innovation and excellence, its corporate social responsibility report won a Silver Award in PDF version of Annual Report category at the 2010 International ARC Awards.

## 人力資源

新濠相信，人才乃其成功關鍵。本集團致力創造理想的工作環境，讓員工對身為新濠一份子感到自豪。本集團內全體僱員都有平等的升遷及個人發展機會。本集團相信，只有透過發展業務，方可為員工創造機會及價值。因此，本集團鼓勵員工在工作中盡展所能，與本集團一起成長。新濠透過認同、參與及投入而建立僱員的歸屬感。

新濠的人事政策、制度及慣例與本集團的宗旨及價值貫徹一致，促進業務成功發展。

### 1. 招聘

新濠是平等機會僱主，招聘專業技能、個人質素及達到公司遠大目標的承諾等方面的人才，以開拓本集團的未來。本集團透過不同招聘考核物色並確認人才，並定期檢討招聘架構及甄選準則。新濠亦運用適當方法評估求職者的潛質。

### 2. 表現及獎勵

新濠要求並欣賞高質素表現，獎勵原則主要以表現為基準，按職責、表現及對業績的貢獻以及在專業及管理上的能力，給予具競爭力的獎勵。

### 3. 培訓及發展

新濠提供僱員培訓，協助僱員掌握業務發展所需技巧，一方面提升表現及給予價值，另一方面對個人成長很有幫助。本集團的培訓以個人及公司需要為目標，並有系統進行。培訓目標之界定與所需結果配合，並會定期進行檢討。

## 或然負債

於截至二零一零年十二月三十一日止年度，本公司及其中一間全資附屬公司為一名EGT股東提出的指稱申索之被告人。然而，並無就此案計提撥備，原因為該訴訟目前仍處於初步階段，而要預測結果或合理估計潛在虧損之範圍實屬言之尚早。

於二零一零年十二月三十一日，本集團就本集團之共同控制實體Melco Crown SPV發行之可互換債券確認財務擔保負債約76,300,000港元。本公司與Crown Limited就可互換債券提供共同及個別之擔保。

## 外匯風險

根據集團政策，本集團營運實體皆以當地貨幣營運，以盡量降低貨幣風險。本集團之主要業務均以港元及澳門元進行及記錄。由於外匯風險保持在最低水平，因此毋須對外幣風險作出對沖。

## 有關重大投資或資本資產之未來計劃

本公司在未來數年開始落實新項目時將產生重大資本支出。本公司預期，公司將以不同融資方式盡其所能籌集各項目的所需資金。本公司亦會於適當時候就未來落實之新項目提供所需股本資金。

## 股息

董事建議不派發截至二零一零年十二月三十一日止年度之末期股息（二零零九年：無）。

## 企業獎項

### 企業管治

本集團堅守卓越企業管治，成就備受肯定，於二零一零年，新濠連續第五年（二零零六年至二零一零年）榮獲《亞洲企業管治》雜誌頒發「亞洲企業管治年度嘉許獎項」，並再度榮獲權威財經雜誌《亞洲金融》頒發「最佳企業管治」獎項。《亞洲金融》雜誌亦連續第四年表揚新濠為「香港最佳管理企業」之一，並獲其評為「最佳中型企業」及「最佳企業社會責任」機構之一，而集團主席兼行政總裁何猷龍先生亦獲選為「香港最佳行政總裁」之一。新濠一直以來對創新和卓越的追求，亦令其企業社會責任報告在2010年國際年報獎當中贏得「年報PDF版本銀獎」。

## World-class Guest Service

Underscoring its position as a world-class gaming enterprise, Melco Crown Entertainment was awarded the “Casino Operator Of The Year (Asia)” at the International Gaming Awards 2011 for the third consecutive year. It was ranked as a “CIO Top 100” honouree by the notable CIO Asia Magazine as well as the “Top Winner” at IDC Enterprise Innovation Awards.

Melco Crown Entertainment’s flagship property, City of Dreams, was bestowed with the “Best Leisure Development in Asia Pacific” and “Best Leisure Development in China” awards at the International Property Awards 2010, as the first Macau resort property to be honored with this world’s largest property competition. It was also the worldwide winner of “Best Casino VIP Room” and “Best Casino Interior Design” at the International Gaming Awards 2011. The House of Dancing Water, the world’s largest water-based extravaganza showcased in City of Dreams, gained the Top 10 Cultural and Creative Projects at Hong Kong STV Award, and its Dragon’s Treasure, the iconic landmark showcased in The Bubble, was honored with the Outstanding Achievement at 2009 THEA Award. In addition, Altira Macau was awarded the Forbes Five Star ratings in both Lodging and Spa categories for the second consecutive year. It also named the “Best Luxury Hotel in Macau” by TTG China Travel Awards in 2010. The prestige awards recognized Altira Macau’s high quality services, reinforced the Group’s role in the transformation of Macau into an international travel and leisure destination for the most discerning guests.

## INVESTOR RELATIONS

Melco believes in ongoing communication and operational transparency as a means to build and sustain stakeholder relations. During the year, the Group continued to actively participate in investor conferences organized by well known securities houses and maintain regular dialogue with institutional investors and analysts to keep them abreast of the Group’s development. Including the two results announcements, more than 100 meetings with analysts and fund managers were held in 2010. In addition, the Group conducted various site visits to its development projects in Macau for the investors.

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

## CORPORATE CITIZENSHIP

As a socially responsible corporation, Melco has always been in the forefront of corporate social responsibility, as part of the missions to serve the community and to enhance public awareness of social and environmental issues. Melco believes that Corporate Social Responsibility (CSR) is as important as growing its business for a successful enterprise. Melco has extensive experience in the field of community involvement through supporting more than 30 community and charitable initiatives, encouraging over 170 volunteer participations in 2010. With the goal of constructing a better living for the communities and the next generation, Melco will continuously serve to be a keen supporter of corporate citizenship.

## GREEN ENVIRONMENT

To leave a sustainable global environment for future generations, environmental action has been made one of the pillars of corporate management of Melco, with 56% of the total CSR budget spent in this area, supporting over 12 initiatives, including a 3-year Community Chest-Melco Green Fund since 2008. The Group is committed to minimize the impact that its operations may have on the environment, continually improving environmental management practices so as to reduce waste as well as increase recycling. In recognition of its efforts, Melco was awarded as “Class of Excellence” in Wastewise Label of the Hong Kong Awards for Environmental Excellence and has been the Signatory Member of the Copenhagen Communiqué since 2009. Melco has also been recognized as the Double Diamond Corporate Member by WWF Hong Kong since 2006. Its associate company, Altira Macau, won the Silver Medal in the “Energy Saving Contest” by the Office for Development of the Energy (GDSE) and the Companhia de Electricidade de Macau (CEM).

### 2010 Event Highlights (Green Environment)

- The Community Chest-Melco Green Fund
- Environmental Play Project by Playright Children’s Play Association
- Hoi Ha Marine Life Center Education Tour by WWF
- Earth Hour 2010 by WWF
- Low-carbon Office Operation Programme by WWF
- Dolphin Watch Boat Trip by WWF
- Mai Po Boardwalk by WWF
- Tree Planting Challenge by Friends of Earth Hong Kong
- Energy Conservation Week in Macau
- Melco Group – Mooncake Container Recovery Program

## 世界級款待服務

新濠博亞娛樂於二零一一年國際博彩業大獎獲得「年度娛樂場營運商(亞洲)」獎項，連續三年獲獎，進一步鞏固新濠博亞娛樂之世界級博彩企業地位。此外，新濠博亞娛樂榮獲著名的《CIO Asia》雜誌評選為「CIO Top 100」，並於IDC企業創新大獎中奪得「Top Winner」獎項。

新濠博亞娛樂的旗艦項目—新濠天地於二零一零年國際房地產大獎中獲頒「亞太區最佳休閒渡假發展項目」及「中國最佳休閒渡假發展項目」兩項大獎，是首個在此全球最大型房地產比賽項目中揚威的澳門渡假項目。新濠天地於二零一一年國際博彩業大獎亦在全球對手手中奪得「最佳娛樂場貴賓廳」及「最佳娛樂場室內設計」獎項。於新濠天地上演的全球最壯觀水上匯演—《水舞間》，在Hong Kong STV Award中榮獲「十大文化及創意項目」獎項，另一方面，於新濠天地的地標建築—「天幕」劇院呈獻的立體動感視聽節目「龍騰」，亦榮獲二零零九年國際主題娛樂協會所頒發的傑出大獎。此外，新濠鋒亦連續第二年在住宿和水療兩個類別獲福布斯給予五星殊榮，並於二零一零年TTG中國旅遊大獎中獲頒「澳門最佳豪華酒店」獎項。以上各項殊榮與新濠鋒的非凡服務互相輝映，進一步鞏固本集團在推動澳門蛻變成爲講究客戶所嚮往的國際旅遊消閒勝地中的角色。

## 投資者關係

新濠相信，不斷的溝通及保持營運透明度是與利益相關人士建立和維繫良好關係的方法。年內，本集團繼續積極參與由著名證券行舉辦之投資者會議以及與機構投資者及分析員保持定期對話，以便他們掌握本集團的最新發展。於二零一零年，本集

團與分析員及基金經理先後舉行了超過一百次會議，當中包括兩次的業績公佈會。此外，本集團亦為投資者籌辦多次參觀澳門發展項目之實地考察。

本集團的努力贏得投資者一直的支持和信賴，而本集團亦因為推行最佳守則及致力恪守最高的企業管治水平而獲獎無數。有關獎項的進一步詳情，請參閱「企業獎項」一節。本集團將繼續積極提升與投資者之溝通以加強投資者關係。

## 企業公民責任

新濠時刻緊記本身對社會肩負的責任，一直走在企業社會責任發展的最前線，冀藉此履行服務社群的責任，並且提高大眾對社會和環境議題的關注。新濠相信，成功企業須兼顧企業社會責任和業務發展，兩者不可偏廢。新濠在參與社區工作方面經驗豐富，於二零一零年全力支持逾30項社區及慈善項目，鼓勵超過170名義工參與。為社區和下一代帶來更美好的生活是新濠的目標，其將以此為念，繼續身體力行，體現企業公民責任。

## 環境保護

為了將可持續發展的環境留給未來的孩子，新濠將環保行動確立為企業管理的支柱之一，此方面的工作佔企業社會責任總預算的56%，而新濠亦支持逾12項環保活動，包括自二零零八年開始為期三年的「公益金新濠環保基金」。本集團致力減少本身營運可能對環境造成的影響，不斷改進環境管理常規，力求達到減廢和提升循環再用的目標。新濠的環保工作備受肯定，其自二零零九年起獲得香港環保卓越計劃的「卓越級別」減廢標誌，其亦簽署了「哥本哈根氣候變化問題公報」。新濠亦自二零零六年起亦成爲世界自然基金會香港分會的「雙鑽石會員」，其聯營公司新濠鋒亦在能源業發展辦公室與澳門電力股份有限公司合辦的「知慳惜電節能比賽」中奪得亞軍。

## 二零一零年重點項目一覽(環境保護)

- 公益金新濠環保基金
- 智樂兒童遊樂協會—綠色遊戲計劃
- 世界自然基金會—海下灣海洋生物中心教育活動
- 世界自然基金會—地球一小時2010
- 世界自然基金會—低碳辦公室計劃
- 世界自然基金會—中華白海豚觀豚之旅
- 世界自然基金會—米埔浮橋行
- 香港地球之友—綠野先鋒
- 澳門節能週
- 新濠集團—月光寶盒回收計劃



## EDUCATION

Education is the tool to eradicate poverty and build a developed nation and hence Melco places great emphasis on education for young generation through a number of educational projects and training programs to nurture their all-round developments. In 2010, Melco dedicated 10% of its CSR budget to support 4 education programs, including The Lawrence Ho Scholarship Fund, and two cultural exchange tours for students.

### 2010 Event Highlights (Education)

- Playright Walk on the Air by Playright Children's Play Association
- Cultural Heritage Tour by Association for the Promotion of Cultural Heritage
- The Indian Odyssey by World University Service of The University of Hong Kong

## YOUTH DEVELOPMENT

As a leading socially responsible company, Melco believes that the younger generations are the building blocks necessary for the country's strong foundation. With the purpose of inculcating a sense of good responsible citizenship in the young generation, the Group has allocated 22% of its CSR budget to 10 programs to cultivate team spirit and collective responsibility in youth and children.

### 2010 Event Highlights (Youth Development)

- Being CEO Programme by Hong Kong PHAB Association
- Camp Macau@City of Dreams by Camp Quality Hong Kong
- Playpacks Project to Children in Hospitals by Playright Children's Play Association
- 2010 HKAHC International Amateur Ice Hockey Tournament by Hong Kong Amateur Hockey Club Limited
- Outward Bound Corporate Challenge by Outward Bound Trust of Hong Kong
- Charity Film Premiere Group Package by KELY Support Group Limited
- Magic Link Up Action- Fun Play Day by Playright Children's Play Association
- Operation Santa Claus benefiting Children's Thalassaemia Foundation and Hong Kong Paediatric Rheumatism Association by South China Morning Post and Radio Television Hong Kong
- Christmas Fun Day at Jumbo Kingdom by Operation Santa Claus
- Red Cross Christmas Fun Day at Jumbo Kingdom by Hong Kong Red Cross

## OTHER COMMUNITY ENGAGEMENTS

Melco is committed to being a responsible member of the community and supporting a range of social programs and charity initiatives to bring warmth to the society. The Melco Volunteer Incentive Scheme has been proven effective in promoting staff volunteerism and awareness of CSR within the Group since its launch in 2009. The Group further expanded the Volunteer Incentive Scheme by joining the Volunteer Movement of the Hong Kong Social Welfare Department (SWD) to allow staff members' participation in a wider range of voluntary work. Melco's key associate Melco Crown Entertainment and its Mocha Clubs have been awarded "Corporate Volunteer of the Year" by the Association of Volunteer Social Service of Macau.

Melco has been raising urgent concerns on global issues and taking prompt actions in response to emergency appeals for the relief of natural disasters. Following the devastating earthquake in Qinghai, China in April 2010, Mr. Lawrence Ho together with Melco and Melco Crown Entertainment made a HK\$5-million donation to support relief efforts and earthquake victims. Generous donations from Melco and its employees made a difference to thousands of families affected.

### 2010 Event Highlights (Community)

- Run Up Two-IFC Charity Race by The Community Chest
- Care@Mid-Autumn Festival by Yang Memorial Methodist Social Service
- Warm Giving in Winter for the Elderly by Yang Memorial Methodist Social Service
- Love Teeth Day by The Community Chest
- Hong Kong Red Cross Pass-it-on 2010 by Hong Kong Red Cross
- Qinghai earthquake and Disaster Relief initiatives

In recognition of the outstanding and continuous performance in carrying out CSR, Melco has been awarded "5 Year Plus Caring Company" logo by the Hong Kong Council of Social Service for sixth consecutive year since 2005 and has also received the President's Award from the Community Chest for its strong commitment and care for the underprivileged since 2006. Besides, its corporate social responsibility report won a Silver Award in PDF version of Annual Report Category at 2010 International ARC Awards and another Silver Award in Websites of Sustainability Report at 2010 International Galaxy Awards.

For Melco's CSR engagements and progress, please refer to the Melco CSR Report 2010 or visit website [www.melco-group.com](http://www.melco-group.com).



## 教育

教育是社會減貧，建構發達國家的有效途徑，因此，新濠十分重視下一代的教育工作，支持多個教育項目及培訓課程，培育下一代的成人發展。於二零一零年，新濠將企業社會責任預算中的10%撥於支持四個教育項目，包括何猷龍獎學及研究基金及贊助兩個學生文化交流團。

### 二零一零年重點項目一覽(教育)

- 智樂兒童遊樂協會 — 智樂快樂行
- 文化傳承交流促進會 — 文化傳承之旅
- 香港大學世界大學服務社 — 「尋找彩色國度—印度體驗之旅」

## 青少年發展

作為一間肩負社會責任的領先企業，新濠相信，優秀的年青一代是構建國家雄厚根基的棟樑。為了向年青一代灌輸樂於承擔的良好公民意識，本集團已將企業社會責任預算中的22%撥於支持十個項目，以在青少年和兒童心中建立合群和共同承擔的精神。

### 二零一零年重點項目一覽(青少年發展)

- 香港傷健協會 — 「做個CEO計劃」
- 愛心童樂營 — 澳門新濠天地動感之旅
- 智樂兒童遊樂協會 — 「遊戲包贈予醫院病童」
- 香港業餘冰球會 — 「2010年香港業餘冰球會 • 國際業餘冰球邀請賽」
- 香港外展信託基金會 — 外展衝勁樂
- 啟勵扶青會 — 慈善首映禮
- 智樂兒童遊樂協會 — 「同心同樂 • 遊樂日」
- 南華早報及香港電台合辦的愛心聖誕大行動 — 幫助地中海貧血兒童基金及少青風協會
- 愛心聖誕大行動 — 珍寶王國遊戲日
- 香港紅十字會 — 聖誕暖暖樂共聚

## 其他社區活動

新濠努力做好社區一分子的應盡之責，鼎力支持不同的社會和慈善活動，為社會添溫送暖。自新濠義工獎勵計劃於二零零九年推行以來，其成功推動員工參與義工活動及提高集團上下的企業社會責任意識。為進一步擴大新濠義工獎勵計劃，本集團加入香港社會福利署的義工運動，讓員工可以參與更多不同的義工活動。新濠的主要聯營公司新濠博亞娛樂以及新濠旗下的摩卡娛樂場均獲澳門義務工作者協會頒發「優秀企業義工服務團隊」獎項。

新濠一直關注全球大事，並會立即行動，響應緊急的救災呼籲。二零一零年四月中國青海大地震後，何猷龍先生聯同新濠及新濠博亞娛樂捐出五百萬港元以支持賑災工作和救助地震災民。新濠和僱員均踴躍捐輸，冀為數以千計的受災家庭略盡綿力。

### 二零一零年重點項目一覽(社區)

- 公益金 — 國金二期慈善跑
- 循道衛理楊震社會服務處 — 同心關懷賀中秋
- 循道衛理楊震社會服務處 — 冬日暖暖展關懷
- 公益金 — 愛牙日
- 香港紅十字會 — 二零一零年「愛心相連」義工服務
- 多項青海地震賑災活動

新濠自二零零五年起連續第六年獲香港社會服務聯會嘉許，今年更成為「5年Plus商界展關懷」機構，表揚其多年來在履行企業社會責任方面的傑出表現；新濠亦自二零零六年起獲香港公益金頒發「公益最高榮譽獎」，肯定其致力於關懷弱勢社群的工作。此外，新濠之企業社會責任報告亦在2010年國際年報獎當中贏得「年報PDF版本銀獎」以及在2010年International Galaxy Awards中贏得「可持續報告網站銀獎」。

有關新濠的企業社會責任參與項目及進展，請參閱新濠二零一零年企業社會責任報告或瀏覽網站[www.melco-group.com](http://www.melco-group.com)。

# Management Profile

## DIRECTORS

### **Mr. HO, Lawrence Yau Lung (aged 34)** Executive Director (Chairman and Chief Executive Officer)

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

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

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

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

In 2009, Mr. Ho was selected by FinanceAsia as one of the "Best CEOs in Hong Kong", "China Top 10 Financial and Intelligent Persons" judged by a panel led by the Beijing Cultural Development Institute and Fortune China; and was named "Young Entrepreneur of the Year" at Hong Kong's first Asia Pacific Entrepreneurship Awards. In 2010, Mr. Ho was once again selected as one of the "Best CEOs in Hong Kong" by FinanceAsia.

### **Mr. TSUI Che Yin, Frank (aged 53)** Executive Director

Mr. Tsui has been an Executive Director of the Company since November 2001. He is also a member of the executive committee, finance committee, regulatory compliance committee and corporate social responsibility committee of the Company.

Mr. Tsui has more than 28 years of experience in investment and banking, having held senior management positions at various international financial institutions. He is currently a director of Mountain China Resorts (Holding) Limited (formerly known as Melco China Resorts (Holding) Limited), a company listed on the TSX Venture Exchange of Canada, an independent non-executive director of Jinhui Holdings Company Limited, a company listed on the Hong Kong Stock Exchange, and a non-executive director of Jinhui

# 管理層簡介

## 董事

### 何猷龍先生 (34歲) 執行董事 (主席兼行政總裁)

何先生在完成本公司股份全面收購後，於二零零一年十一月獲委任為本公司的集團董事總經理。彼於二零零六年三月十五日獲委任為主席兼行政總裁。何先生是本公司執行委員會、財務委員會及監察事務委員會之主席，以及本公司提名委員會和企業社會責任委員會之成員。何先生亦為新濠博亞娛樂有限公司之聯席主席兼行政總裁，該公司於納斯達克全球精選市場上市，為澳門的六個博彩專營權及副專營權的持有人之一，於澳門擁有和經營博彩業務。何先生為本公司主要股東Lasting Legend Ltd. 及Better Joy Overseas Ltd. 之董事。

何先生畢業於加拿大多倫多大學，持有文學士學位，主修商科。何先生獲蘇格蘭愛丁堡納皮爾大學頒授工商管理榮譽博士學位，以表揚何先生對香港、澳門及中國之商業、教育及社會作出的貢獻。何先生熱衷社會服務，出任香港、澳門及中國內地多個董事會及委員會。何先生為香港公益金董事會董事。何先生亦為中國人民政治協商會議上海市委會委員、澳門特別行政區政府科技委員會委員、全國青年聯合會委員、澳門基本法推廣協會理事、澳門國際志願工作者協會會長、香港公益金籌募委員會委員、香港加拿大商會執委會會員、香港中華總商會永遠榮譽委員、澳門加拿大商會會長、澳門房地產聯合商會名譽會長及澳門中華總商會常務理事。

何先生在過去多年間亦獲頒多個獎項，以表揚其英明領導及企業家精神。於二零零五年，何先生獲中國市場學會及中國企業報頒發「第五屆中國企業創新優秀人物」殊榮，另獲得Hong Kong Tatler的「明日領袖」之榮銜，亦獲機構投資者頒發「最佳行政總裁獎項」，以及獲香港董事學會獲發傑出董事獎。

何先生多年來一直是盡社會責任的年輕企業家，國際青年商會香港總會於二零零六年選出何先生為「十大傑出青年」之一。其後，何先生於二零零七年在「Stevie International Business Awards」的「最佳主席」類別中入圍決賽，並獲著名財經雜誌Asiamoney選為「亞洲一百大最具影響力人物」之一。二零零八年，何先生獲中華人民共和國民政部頒發「中華慈善獎」。

於二零零九年，何先生獲《亞洲金融》選為「香港最佳行政總裁」之一，在北京大學文化產業研究院與財富中國領導的評審團選為「中華十大財智人物」，以及於首屆香港「亞太企業精神獎」中獲得年度青年企業家獎。於二零一零年，何先生再度獲《亞洲金融》選為「香港最佳行政總裁」之一。

### 徐志賢先生 (53歲) 執行董事

徐先生自二零零一年十一月起出任本公司執行董事。徐先生亦是本公司執行委員會、財務委員會、監察事務委員會及企業社會責任委員會之成員。

徐先生擁有逾二十八年投資及銀行業經驗，曾在不少國際金融機構擔任高級管理層職位。徐先生現時為加拿大TSX Venture Exchange上市公司Mountain China Resorts (Holding) Limited (前稱新濠中國渡假村(控股)有限公司)之董事、香港聯交所上市公司金輝集團有限公司之獨立非執行董事，以及奧斯陸證券交易所上市公司Jinhui Shipping and Transportation Limited之

Shipping and Transportation Limited, a company listed on the Oslo Stock Exchange. Prior to joining the Group, Mr. Tsui was the President of China Assets Investment Management Limited which is the investment manager of China Assets (Holdings) Limited, a listed investment holding company in Hong Kong.

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

**Mr. CHUNG Yuk Man, Clarence (aged 48)**  
Executive Director

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

Mr. Chung has more than 20 years of experience in the financial industry in various capacities as a chief financial officer, an investment banker and a merger and acquisition specialist. Mr. Chung was named one of the "Asian Gaming 50 – 2009 and 2010" by Inside Asian Gaming magazine.

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

**Mr. NG Ching Wo (aged 61)**  
Non-executive Director

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

Mr. Ng is a senior partner of King & Wood. Mr. Ng received his L.L.B. from the University of Alberta in Canada and was admitted to practise as a barrister and solicitor in Alberta in 1981. He is qualified as a solicitor in both the United Kingdom and Hong Kong. Mr. Ng's practice

focused primarily in the area of cross-border corporate and commercial work and he has experience in mergers and acquisitions, take-overs of private and listed companies, cross-border initial public offerings, tax planning, large-scale international joint ventures and technology transfer.

**Sir Roger LOBO, C.B.E., LL.D., J.P. (aged 87)**  
Independent Non-executive Director

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

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

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

**Mr. SHAM Sui Leung, Daniel (aged 55)**  
Independent Non-executive Director

Mr. Sham has been an Independent Non-executive Director of the Company since June 2006. He is also the chairman of the remuneration committee and a member of the audit committee of the Company. He is currently an independent non-executive director of AEON Stores (Hong Kong) Co., Limited, a company listed on the Hong Kong Stock Exchange.

Mr. Sham qualified as a chartered accountant in England and Wales, and worked as a certified public accountant in Hong Kong for over 20 years. He has all-round experience in accounting, auditing and other related works, especially in the fields of corporate finance and securities regulations.

非執行董事。在加入本集團前，徐先生於中國資本投資管理有限公司擔任總裁一職，該公司為中國資本(控股)有限公司(在本港上市的投資控股公司)的投資經理。

徐先生持有香港中文大學工商管理學士及碩士學位，以及倫敦大學法學士學位。彼為加拿大註冊會計師協會及香港證券專業學會會員。

#### 鍾玉文先生(48歲) 執行董事

鍾先生自二零零六年五月起出任本公司執行董事。鍾先生亦是本公司執行委員會、財務委員會及企業社會責任委員會之成員。鍾先生目前是納斯達克全球精選市場上市公司新濠博亞娛樂有限公司之董事及紐約證券交易所(NYSE-Amex)上市公司Entertainment Gaming Asia Inc. (前稱Elixir Gaming Technologies, Inc.) 之主席兼行政總裁。

鍾先生擁有逾二十年金融業經驗，曾出任財務總監、投資銀行及併購專家。鍾先生於二零零九年及二零一零年獲Inside Asian Gaming雜誌選為「亞洲博彩50強」之一。

鍾先生持有香港中文大學工商管理學士學位，以及美國西北大學凱洛格商學院(Kellogg School of Management)的工商管理碩士學位。彼為香港會計師公會及英國特許會計師公會之會員。

#### 吳正和先生(61歲) 非執行董事

吳先生自二零零四年九月起出任本公司非執行董事。吳先生亦是本公司提名委員會之主席，以及本公司審核委員會和薪酬委員會之成員。

吳先生是金杜律師事務所高級合夥人。吳先生從加拿大亞伯達大學取得法律學士學位，並於一九八一年在加拿大亞伯達省取得律師和大律師執業資格。吳先生亦持有英國和香港的執業律

師資格。吳先生擅長於跨境公司和商業法律事務。吳先生在收購合併、私人 and 上市公司收購、跨境公司上市、稅務策劃、國際性大規模合作企業和技術轉移方面擁有豐富經驗。

#### 羅保爵士C.B.E., LL.D., J.P. (87歲) 獨立非執行董事

羅保爵士自一九九八年二月起出任本公司獨立非執行董事。羅保爵士亦是本公司審核委員會和企業社會責任委員會之主席，以及本公司薪酬委員會和提名委員會之成員。羅保爵士現為信德集團有限公司和電訊盈科有限公司(均於香港聯交所上市)和強生(香港)有限公司之獨立非執行董事。

羅保爵士在港澳是一顯赫人士，曾參與多項公職服務。一九六七年至一九八五年間，羅保爵士為行政局議員，一九七二年至一九八五年間為立法局議員(一九八零年至一九八五年間為立法局首席非官守議員)，一九六五年至一九七八年間為市政局議員。此外，彼曾任退休公務員就業申請諮詢委員會主席(一九八七年至一九九八年)、香港廣播事務管理局主席(一九八九年至一九九七年)和廉政公署多個委員會成員和主席(一九七五年至一九八五年)。

羅保爵士現時仍擔任多項社會公職，包括香港公益金名譽副會長、香港善導會副贊助人、香港工商專業聯會信託委員會委員、香港明愛理事會委員和民眾安全服務處榮譽處長。

#### 沈瑞良先生(55歲) 獨立非執行董事

沈先生自二零零六年六月起出任本公司獨立非執行董事，亦為本公司薪酬委員會主席及審核委員會成員。彼現為香港聯交所上市公司永旺(香港)百貨有限公司之獨立非執行董事。

沈先生為英格蘭及威爾斯之合資格特許會計師，於香港擔任執業會計師逾二十年。沈先生在會計、審計及其他相關工作，尤其在企業融資及證券法例方面擁有全面之經驗。彼為摩斯倫•馬賽會計師事務所之合夥人達十四年，直至於二零零三年十二

He was a partner of Moores Rowland Mazars for 14 years until he retired on 31 December 2003. After his retirement, he rejoined Moores Rowland Mazars as a consultant in late 2004 and worked in that capacity until March 2006.

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

**Dr. TYEN Kan Hee, Anthony (aged 55)**  
Independent Non-executive Director

Dr. Tyen has been an Independent Non-executive Director of the Company since June 2010. He is also a member of the audit committee of the Company.

Dr. Tyen is currently an independent director of Entertainment Gaming Asia Inc. (formerly known as Elixir Gaming Technologies, Inc.), a 39.41% owned associate of the Company having its shares listed on the New York Stock Exchange (NYSE-Amex) and an independent non-executive director of Arnhold Holdings Limited, a company listed on the Hong Kong Stock Exchange. He was previously an independent non-executive director of Value Convergence Holdings Limited and Recruit Holdings Limited, both of which companies are listed on the Hong Kong Stock Exchange.

Dr. Tyen holds a Doctoral degree in Philosophy and a Master degree in Business Administration, both from the Chinese University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of both the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators and a member of both the Chinese Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. He is currently a practising certified public accountant in Hong Kong and has over 30 years' experience in auditing, accounting, management and company secretarial practice.

## SENIOR MANAGEMENT

**Mr. TSANG Yuen Wai, Samuel (aged 56)**  
Group Legal Counsel and Company Secretary

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

**Mr. KO Chun Fung, Henry (aged 51)**  
Executive Director and Chief Executive Officer of MelcoLot Limited

Mr. Ko is an executive director and Chief Executive Officer of MelcoLot Limited ("MelcoLot"), a company held by Melco as to 11.67% and whose shares are listed on the Hong Kong Stock Exchange. Mr. Ko is a seasoned professional with a strong track record of successful senior positions in Asia. He has led various high profile ventures in the telecom industry. Prior to entering the lottery industry, he was a founder of iAsia Online Systems Limited, and in his capacity as CEO and executive director, nurtured its growth into a leading financial trading solutions vendor in Hong Kong and mainland China. Mr. Ko then went on the setting up of the lottery business which was subsequently acquired by MelcoLot in late 2007, in his capacity as CEO and executive director of PAL Development Limited. Upon the acquisition of the lottery business, Mr. Ko was appointed to the Board and CEO of MelcoLot and continues to lead the lottery business of MelcoLot Group.

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

月三十一日退任為止。彼於退任後，於二零零四年年底重新加入摩斯倫•馬賽會計師事務所擔任顧問，並出任該職位直至二零零六年三月為止。

沈先生畢業於University of Leeds，獲授經濟學文學士學位。彼曾任香港會計師公會（「香港會計師公會」）之審計準則委員會委員、上市事務專家小組委員、證券事務專家小組委員及會計師報告專責小組委員。彼亦為香港會計師公會之紀律審裁委員會委員。

#### 田耕熹博士 (55歲) 獨立非執行董事

田博士於二零一零年六月起出任本公司獨立非執行董事。彼亦為本公司審核委員會成員。

田博士目前為Entertainment Gaming Asia Inc.（前稱Elixir Gaming Technologies, Inc.）之獨立董事（該公司為本公司擁有39.41%權益之聯營公司，其股份於紐約證券交易所(NYSE-Amex)上市）及安利控股有限公司（其股份於香港聯交所上市）之獨立非執行董事。田博士曾任香港聯交所上市公司滙盈控股有限公司及才庫媒體集團有限公司之獨立非執行董事。

田博士持有香港中文大學哲學博士及工商管理碩士學位。彼為香港會計師公會會員、英國特許公認會計師公會及英國特許秘書及行政人員公會資深會員，以及中國註冊會計師協會及香港稅務學會會員。彼目前為香港執業會計師，在審計、會計、管理及公司秘書工作上積逾三十年經驗。

## 高級管理層

#### 曾源威先生 (56歲) 集團法律顧問及公司秘書

曾先生於二零零一年十一月加盟本集團。曾先生為一名律師，擁有香港、英國和澳洲執業資格。曾先生為本集團之集團法律顧問及公司秘書，專責本集團之法律、企業及監察事務。彼曾在香港數間大型律師行和上市綜合企業任職超過二十年。曾先生於香港大學取得法律碩士學位及於澳洲國立管理學院取得工商管理碩士學位。曾先生目前是紐約證券交易所(NYSE-Amex)上市公司Entertainment Gaming Asia Inc.（前稱Elixir Gaming Technologies, Inc.）之董事。

#### 高振峯先生 (51歲) 新濠環彩有限公司執行董事兼行政總裁

高先生為新濠環彩有限公司（「新濠環彩」）之執行董事兼行政總裁。新濠環彩由新濠持有11.67%權益，其股份於香港聯交所上市。高先生為資深的專業人士，曾先後於亞洲多間公司出任要職，取得傑出成就。彼曾領導電訊行業內不同的知名創投項目。高先生投身彩票業前曾創辦亞洲網上系統有限公司，擔任該公司之行政總裁兼執行董事，帶領該公司發展成為香港及中國內地首屈一指之金融交易解決方案供應商。高先生其後建立彩票業務，出任寶加發展有限公司之行政總裁兼執行董事，其彩票業務最終於二零零七年底由新濠環彩收購。彩票業務由新濠環彩收購後，高先生獲委任加入董事會及出任新濠環彩之行政總裁，繼續領導新濠環彩集團彩票業務之發展。

高先生於一九八二年考獲工程系一級榮譽學士學位，並於一九九零年獲澳洲聯邦獎學金於澳洲國立管理學院修讀，並獲頒授工商管理碩士學位。

**Mr. TAM Chi Wai, Dennis, PhD, CPA (Aust), CMA (aged 41)**

Group Finance Director, Qualified Accountant, and Head of Human Resources & Administration

Mr. Tam joined the Group in 2006. He has more than 15 years of experience in accounting, financial control, corporate finance and mergers & acquisitions. Prior to joining the Group, Mr. Tam held senior management positions with various local listed and multinational companies, including Quality Healthcare Medical Services, Marsh & McLennan and BF Goodrich. He currently serves as Group Finance Director and Head of Human Resources & Administration and in charge of planning, directing and controlling financial, human resources and administrative functions of the Group.

Mr. Tam obtained his Master Degree in Accounting from Monash University and completed his PhD program at Washington Intercontinental University. He was also trained at Harvard Business School in Boston. He holds the Honorary Vice Chairman for Greater China of the Institute of Certified Management Accountants, a fellow member of the Financial Services Institute of Australasia, a member of CPA Australia and a member of the Institute of Administrative Management in United Kingdom. Mr. Tam is a former member of Chinese People's Political Consultative Conference, Jiang Xi Province, NanKang city. He is also a member of the Standing Committee of "The Economic Observer Weekly", run by the Market Economy Institute of the Development Center of China's State Council.

**Mr. LAW Kwok Fai, Alan (aged 49)**

Group Internal Audit Director

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



**譚志偉先生PhD, CPA(Aust), CMA (41歲)**

集團財務董事，合資格會計師  
人力資源及行政部主管

譚先生於二零零六年加入本集團。譚先生於會計、財務管理、企業財務、及合併與收購方面擁有逾十五年經驗。於加盟本集團前，彼曾為多間香港上市公司及跨國公司，如卓健醫療服務、Marsh & McLennan及BF Goodrich擔任高級管理之職位。譚先生現任新濠集團財務董事兼人力資源及行政部主管，負責規劃、統籌、並管理集團財務、人力資源及行政事務。

譚先生獲Monash University頒發會計學碩士學位及於Washington Intercontinental University完成哲學博士課程，隨後亦曾於波士頓哈佛管理學院接受培訓。譚先生現為Institute of Certified Management Accountants大中華區之榮譽副主席、Financial Services Institute of Australasia之資深會員、CPA Australia之會員及英國行政管理學會之會員。彼曾任中國南康市第三屆政協委員，現亦為國務院發展研究中心市場經濟研究所《每週經濟觀察》之常務理事。

**羅國輝先生(49歲)**

集團審計總監

羅先生於二零零七年加盟本集團。羅先生擁有豐富之財務審計、財務管理及營運風險管理等經驗，彼曾於多間國際機構出任管理職位，包括畢馬威會計師事務所、半島酒店集團、渣打銀行及花旗集團。彼加入本集團前，於香港花旗集團出任營運質控總監逾十年。羅先生擁有英國華威大學之工商管理碩士學位。彼為香港會計師公會及英國特許公認會計師公會之資深會員，亦為英格蘭及威爾斯特許會計師公會之會員。

# Corporate Governance Report

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

The Group’s continuous effort to promote excellence and high standards of corporate governance practices continued to earn market recognition from different stakeholders. Melco received numerous corporate governance awards during past years. In 2010, Melco was once again acknowledged as one of Hong Kong’s “Best Managed Companies” for the fourth consecutive year by the authoritative FinanceAsia magazine, as well as the “Best Corporate Governance” award for the second consecutive year. It was also honored as the “Best Mid-Cap” and “Best in Corporate Social Responsibility”, with Chairman and Chief Executive Officer, Mr. Ho, Lawrence Yau Lung, selected as one of the “Best CEOs in Hong Kong”. In striving for innovation and excellence, its corporate social responsibility report won a Silver Award both in PDF version of Annual Report category at the 2010 International ARC Awards. All of these accolades represent the market’s recognition of our dedication towards improving corporate governance. Melco will continue to uphold its high level of corporate governance and bring the highest possible returns to its shareholders.

## CORPORATE GOVERNANCE PRACTICES

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

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

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

The Company has complied with all provisions in the Company Code and the HKSE Code throughout the financial year ended 31 December 2010 with two deviations mentioned below:

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

# 企業管治報告

保持高水平的企業管治，一向是本集團（新濠國際發展有限公司（「新濠」或「本公司」）及其附屬公司）的首要工作。本集團致力建立及維繫最高水平企業管治，宗旨在於(i)維持負責任的決策、(ii)改善對股東的透明度及向股東披露的資料、(iii)貫徹一向對股東權利的尊重及股東的合法權益的認同，及(iv)改善危機管理並提升本集團整體表現。本集團認為良好的企業管治是優良管治機構的基石。

本集團對促進卓越優質的企業管治常規一直不遺餘力，並繼續獲得各界肯定。新濠多年來在企業管治方面屢獲殊榮。於二零一零年，新濠連續第四年獲權威財經雜誌《亞洲金融》表揚為「香港最佳管理企業」之一，亦連續第二年獲頒「最佳企業管治」獎項，並獲其評為「最佳中型企業」及「最佳企業社會責任」機構之一，而本公司主席兼行政總裁何猷龍先生亦獲選為「香港最佳行政總裁」之一。新濠一直以來對創新和卓越的追求，亦令其企業社會責任報告在2010年國際年報獎當中贏得「年報PDF版本銀獎」。此等殊榮盡皆代表著市場對本集團矢志提升企業管治的認同。新濠將繼續保持高水平企業管治，致力為股東取得最理想的回報。

## 企業管治常規

### (A) 應用企業管治原則及頒佈本公司的企業管治守則

本公司已應用香港聯合交易所有限公司證券上市規則（「上市規則」）附錄十四所載之企業管治常規守則（「香港聯交所守則」）中的原則並時刻依照上述目標行事。為此，本公司已制訂一套企業管治守則（「公司守則」），載列本公司在指導及管理業務時所採用的企業準則及常規。本公司在編製公司守則時已參考香港聯交所守則內所載並於二零零五年一月一日起生效的原則、守則條文及建議最佳常規。公司守則不單只將現行的企業管治原則及常規規範化，亦將現有常規與香港聯交所守則所規定的基準兼收並蓄，最終確保本公司以高透明度方式營運及向其股東負責。公司守則已於本公司網站內刊登。

### (B) 遵守公司守則及香港聯交所守則之守則條文

除下文所述的兩項偏離外，本公司於截至二零一零年十二月三十一日止財政年度已遵守公司守則與香港聯交所守則的所有條文。

香港聯交所守則之守則條文第A.4.1條規定，非執行董事應有特定任期並須膺選連任。本公司偏離此條文之情況為，本公司全體非執行董事並無特定任期，惟須每三年退任及膺選連任。有此偏離只因本公司相信不宜獨斷地為董事任



the long term interests of the Company's shareholders and the retirement and re-election requirements of non-executive directors have given the Company's shareholders the right to approve continuation of non-executive directors' offices.

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

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

## THE BOARD OF DIRECTORS – FUNCTION AND COMPOSITION

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

The Board comprises a total of seven Directors, with three Executive Directors, namely, Mr. Ho, Lawrence Yau Lung (Chairman and Chief Executive Officer), Mr. Tsui Che Yin, Frank and Mr. Chung Yuk Man, Clarence; one Non-executive Director, namely, Mr. Ng Ching Wo; and three Independent Non-executive Directors, namely, Sir Roger Lobo, Mr. Sham Sui Leung, Daniel and Dr. Tyen Kan Hee, Anthony. The Non-executive Director and the Independent Non-executive Directors, all of whom are independent of

the management of the Group's businesses, are highly experienced professionals with substantial experience in areas such as legal, accounting and financial management. Their mix of skills and business experience is a major contribution to the future development of the Company. They ensure that matters are fully debated and that no individual or group of individuals dominates the Board's decision making processes. In addition, they facilitate the Board to maintain a high standard of financial and other mandatory reporting and provide adequate checks and balances to safeguard the interests of shareholders and the Company as a whole.

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

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years. This year, Mr. Ho, Lawrence Yau Lung and Sir Roger Lobo will retire and they are eligible to offer themselves for re-election at the forthcoming annual general meeting. Dr. Tyen Kan Hee, Anthony, who was appointed as director of the Company on 22 June 2010, will also retire and being eligible, offer himself for re-election at the forthcoming annual general meeting. The biographical details of Mr. Ho, Sir Roger and Dr. Tyen have been set out in a circular to assist shareholders to make an informed decision on their re-elections.

### Board Meetings

The Board meets regularly over the Company's affairs and operations. The Board held a total of four meetings during the year ended 31 December 2010 and the attendance rate was 100%. The Group Finance Director and the Group Legal Counsel and Company Secretary also attend all board meetings to advise on statutory compliance, legal, accounting and financial matters. All businesses transacted at the meetings were documented and the records are maintained in accordance with applicable laws and regulations.

期設限，蓋董事須盡力代表本公司股東之長遠利益，而本公司規定非執行董事須退任及重選連任已給予本公司股東權利，決定是否批准非執行董事連任。

根據香港聯交所守則之守則條文第A.2.1條，上市公司的主席與行政總裁的職責須分開，不應由同一人擔任。然而，參照董事會目前之成員配搭，何猷龍先生對本集團以及澳門博彩業與娛樂業務的整體營運有深厚認識，其於此行業及本集團之營運範疇擁有龐大的業務網絡及聯繫，董事會相信，得到何猷龍先生擔任本公司董事會（「董事會」）主席兼行政總裁乃符合本公司的最佳利益，而董事會將不時檢討有關安排。

下文所列乃本公司為符合香港聯交所守則及公司守則的原則及精神而施行的政策、程序及常規。

### 董事會－職能及組成

董事會負責領導及監控本公司的業務及事務，從而推動本公司成功發展，而本公司日常管理的最終責任則由董事會授權予行政總裁／董事總經理與管理層進行。本公司網站「企業管治」一節列出(1)授權予本公司主席及行政總裁／董事總經理之權責，以及須留待董事會決定之事宜及(2)本公司主席與行政總裁／董事總經理之間職責的分配。

董事會由合計七名董事組成，其中三名屬執行董事，包括何猷龍先生（主席兼行政總裁）、徐志賢先生及鍾玉文先生；一名屬非執行董事，即吳正和先生；另外三名屬獨立非執行董事，包括羅保爵士、沈瑞良先生及田耕熹博士。非執行董事和獨立非執行董事乃本集團業務管理層之獨立人士，彼等皆為資深的專業人士，在法律、會計和財務管理等領域積累豐富經驗。彼等所具備之處事技巧和商業經驗，對本公司未來發展作出寶貴貢

獻。彼等確保事項獲充份討論以及並無個人或群黨左右董事會的決策。此外，彼等推動董事會維持卓越的財務及其他強制匯報水平，並起著監察制衡的作用，保障股東及本公司之整體利益。

各獨立非執行董事已按上市規則第3.13條作出年度獨立性確認。本公司認為，全部獨立非執行董事均已符合上市規則第3.13條所載的獨立性指引，並根據該等指引的條款屬獨立人士。

在每屆股東週年常會上，三分之一在任董事須輪席退任，惟每名董事須至少每三年輪席退任一次。於本年度，何猷龍先生及羅保爵士將於應屆股東週年常會退任，彼等合資格並願意於股東週年常會上膺選連任。於二零一零年六月二十二日獲委任為本公司董事之田耕熹博士亦將於應屆股東週年常會退任，彼合資格並願意於股東週年常會上膺選連任。何先生、羅保爵士及田博士的履歷已載列於一份通函內，以便股東就重選董事作出知情決定。

### 董事會會議

董事會會定期舉行會議，討論本公司的事務及營運。於截至二零一零年十二月三十一日止年度，董事會共舉行四次會議，出席率達100%。集團財務董事及集團法律顧問以及公司秘書亦有出席所有董事會會議，就遵例、法律、會計及財務事宜提供意見。於各會議上處理之事項均已根據適用法規予以存檔及保存記錄。

Set out below is the attendance record of each member of the Board at the board meetings during the year ended 31 December 2010 which illustrates the attention given by the Board in overseeing the Company's affairs:

|  | No. of meetings<br>attended/<br>held in 2010 | Attendance<br>rate |
|--|--|--------------------|
| <b>Executive Directors</b>   |  |                    |
| Mr. Ho, Lawrence Yau Lung<br>(Chairman and Chief<br>Executive Officer) | 4/4  | 100%               |
| Mr. Tsui Che Yin, Frank  | 4/4  | 100%               |
| Mr. Chung Yuk Man, Clarence  | 4/4  | 100%               |
| <b>Non-executive Director</b>  |  |                    |
| Mr. Ng Ching Wo  | 4/4  | 100%               |
| <b>Independent Non-executive Directors</b>                             |  |                    |
| Sir Roger Lobo   | 4/4  | 100%               |
| Dr. Lo Ka Shui*  | 2/2  | 100%               |
| Mr. Sham Sui Leung, Daniel   | 4/4  | 100%               |
| Dr. Tyen Kan Hee, Anthony <sup>#</sup>                                 | 2/2  | 100%               |

\* Dr. Lo Ka Shui retired as a director of the Company at the conclusion of the annual general meeting held on 22 June 2010

<sup>#</sup> Dr. Tyen Kan Hee, Anthony was appointed as a director of the Company with effect from 22 June 2010

### Procedure to enable Directors to seek independent professional advice

To assist the Directors to discharge their duties to the Company, the Board has established written procedures to enable the Directors, upon reasonable request, to seek independent professional advice, at the Company's expense, in appropriate circumstances. No request was made by any Director for such independent professional advice in 2010.

### Securities Dealings by Directors and Relevant Employees

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

they have complied with the required standard of dealings and code of conduct regarding securities dealings by directors as set out in the Model Code for the year 2010.

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

## DELEGATION BY THE BOARD

### Management functions

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

### Board Committees

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

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

#### (1) Executive Committee

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

下表所載為截至二零一零年十二月三十一日止年度各董事出席董事會會議的記錄，展現董事會對監督本公司事務的關注：

|                | 二零一零年<br>出席會議次數/<br>舉行之會議數目 | 出席率  |
|----------------|-----------------------------|------|
| <b>執行董事</b>    |                             |      |
| 何猷龍先生(主席兼行政總裁) | 4/4                         | 100% |
| 徐志賢先生          | 4/4                         | 100% |
| 鍾玉文先生          | 4/4                         | 100% |
| <b>非執行董事</b>   |                             |      |
| 吳正和先生          | 4/4                         | 100% |
| <b>獨立非執行董事</b> |                             |      |
| 羅保爵士           | 4/4                         | 100% |
| 羅嘉瑞醫生*         | 2/2                         | 100% |
| 沈瑞良先生          | 4/4                         | 100% |
| 田耕熹博士#         | 2/2                         | 100% |

\* 羅嘉瑞醫生於二零一零年六月二十二日舉行之股東週年常會結束時退任本公司董事

# 田耕熹博士於二零一零年六月二十二日獲委任為本公司董事

### 董事尋求獨立專業意見的程序

為協助董事履行其對本公司的職責，董事會已制訂書面程序，讓董事可於適當時在提出合理要求下尋求獨立專業顧問意見，費用由本公司支付。於二零一零年概無任何董事提出尋求獨立專業意見的要求。

### 董事及相關僱員進行證券交易

本公司已採納上市規則附錄十上市發行人董事進行證券交易的標準守則(「標準守則」)所載之條款，作為董事進行證券交易之操守守則。經向本公司董事作出具體查詢後，所有董事於二零

一零年年度內一直遵守標準守則所載董事進行證券交易之規定買賣準則及操守守則。

董事會已根據上市規則之香港聯交所守則之守則條文A.5.4項下之董事責任，制訂適用於本公司相關僱員的《相關僱員證券交易守則》，以規管相關僱員買賣本公司證券之交易。

### 董事會授權

#### 管理職能

董事會授權管理層負責管理本集團的日常營運。董事會與管理層在各項內部監控和制衡機制下各自具有明確的權責。董事會已經以書面訂明須由董事會全體決定之事項，以及可交由董事委員會或管理層負責之事項。

#### 董事委員會

為協助董事會履行職務及促進有效管理，董事會將其若干職能交予不同的董事委員會負責，而該等委員會須就特定範疇的事務進行檢討並向董事會提出建議。

各委員會均有本身界定之職責範圍及職權範圍，而委員會成員獲授權就其委員會轄下之事宜作出決定。董事委員會之職權範圍已於本公司網站「企業管治」一節內刊登。

#### (1) 執行委員會

執行委員會由本公司的執行董事何猷龍先生(主席)、徐志賢先生、鍾玉文先生及本公司若干高級管理人員組成。執行委員會不時舉行會議，商討本公司業務及新項目上的營運事務。其負責監督本公司策略目標的實施情況及風險管理政策，以及監察本集團所有業務單位的業務及營運。

## (2) Audit Committee

The Audit Committee was formed on 24 March 1999 and is composed of three Independent Non-executive Directors and a Non-executive Director, namely, Sir Roger Lobo (Chairman), Mr. Ng Ching Wo, Mr. Sham Sui Leung, Daniel and Dr. Tyen Kan Kee, Anthony.

The primary duties of the Audit Committee are (a) to review the Group's financial statements and published reports, (b) to provide advice and comments thereon to the Board and (c) to review and supervise the financial reporting process and internal control procedures of the Group. Other details of the role and function of the Audit Committee are available on the Company's website under the section "Corporate Governance".

During the year 2010, the Audit Committee held a total of two meetings and the attendance rate was 100%. The attendance record of each member of the Committee is set out below:

|                                    | No. of meetings<br>attended/<br>held in 2010 | Attendance<br>rate |
|------------------------------------|--|--------------------|
| Sir Roger Lobo ( <i>Chairman</i> ) | 2/2  | 100%               |
| Mr. Ng Ching Wo                    | 2/2  | 100%               |
| Mr. Sham Sui Leung, Daniel         | 2/2  | 100%               |
| Dr. Tyen Kan Kee, Anthony*         | 1/1  | 100%               |

\* Dr. Tyen Kan Hee, Anthony was appointed as a member of the Audit Committee with effect from 22 June 2010

The Audit Committee has reviewed the Company's half-yearly and annual results and its system of internal control. The Committee also carried out and discharged its duties as set out in HKSE Code. In the course of doing so, the Committee has met the Company's management, internal and external auditors several times during 2010.

## (3) Nomination Committee

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

During the year 2010, the Nomination Committee held one meeting for reviewing the structure, size and composition of the Board and to make recommendation to the Board on appointment of a director. The attendance record of each member of the Committee is set out below:

|                                     | No. of meetings<br>attended/<br>held in 2010 | Attendance<br>rate |
|-------------------------------------|--|--------------------|
| Mr. Ng Ching Wo ( <i>Chairman</i> ) | 1/1  | 100%               |
| Sir Roger Lobo                      | 1/1  | 100%               |
| Mr. Ho, Lawrence Yau Lung           | 1/1  | 100%               |

## (4) Remuneration Committee

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



## (2) 審核委員會

審核委員會於一九九九年三月二十四日成立，成員包括本公司三名獨立非執行董事及一名非執行董事，分別為羅保爵士(主席)、吳正和先生、沈瑞良先生及田耕熹博士。審核委員會的主要職責是(a)審閱本集團財務報表及將刊發之報告、(b)就此向董事會提供建議及發表意見及(c)審查及監管本集團的財務申報過程及內部監控程序。有關審核委員會角色及職能的其他詳情已於本公司網站「企業管治」一節內刊登。

審核委員會於二零一零年共舉行兩次會議，出席率達100%。各委員會成員的出席記錄如下：

|          | 二零一零年<br>出席會議次數/<br>舉行之會議數目 | 出席率  |
|----------|-----------------------------|------|
| 羅保爵士(主席) | 2/2                         | 100% |
| 吳正和先生    | 2/2                         | 100% |
| 沈瑞良先生    | 2/2                         | 100% |
| 田耕熹博士*   | 1/1                         | 100% |

\* 田耕熹博士於二零一零年六月二十二日獲委任為審核委員會成員

審核委員會已審查本公司的中期及年度業績以及其內部監控程序。委員會亦已按香港聯交所守則履行職責。期間，委員會於二零一零年曾與本公司的管理層、內部及外聘核數師舉行多次會議。

## (3) 提名委員會

提名委員會由本公司的執行董事、非執行董事及獨立非執行董事組成，包括吳正和先生(主席)、羅保爵士及何猷龍先生。其負責檢討董事會的架構、規模及組成(包括董事的技能、知識及經驗)；物色具備適合資格成為董事會成員的人士，並向董事會提出董事人選的建議；以及就與委任或重新委任董事及董事之接任計劃有關的事宜向董事會提出建議。

提名委員會於二零一零年舉行一次會議，以檢討董事會的架構、規模及組成並且就委任一名董事向董事會提出建議。各委員會成員的出席記錄如下：

|           | 二零一零年<br>出席會議次數/<br>舉行之會議數目 | 出席率  |
|-----------|-----------------------------|------|
| 吳正和先生(主席) | 1/1                         | 100% |
| 羅保爵士      | 1/1                         | 100% |
| 何猷龍先生     | 1/1                         | 100% |

## (4) 薪酬委員會

薪酬委員會由本公司的非執行董事及獨立非執行董事組成，包括沈瑞良先生(主席)、羅保爵士及吳正和先生。其負責釐定執行董事及高級管理層的酬金組合，以及就董事及高級管理層的薪酬政策及架構，設立正規而具透明度的程序制定此等薪酬政策及非執行董事的酬金向董事會提出建議。有關薪酬委員會角色及職能的其他詳情見於本公司網站「企業管治」一節。

During the year 2010, the Remuneration Committee held a total of two meetings. The attendance record of each member of the Committee is set out below:

|  | No. of meetings<br>attended/<br>held in 2010 | Attendance<br>rate |
|--|--|--------------------|
| Dr. Lo Ka Shui ( <i>Chairman</i> )*                | 1/1  | 100%               |
| Mr. Sham Sui Leung,<br>Daniel ( <i>Chairman</i> )* | 1/1  | 100%               |
| Sir Roger Lobo                                     | 2/2  | 100%               |
| Mr. Ng Ching Wo                                    | 2/2  | 100%               |

\* Following the retirement of Dr. Lo Ka Shui as a director of the Company at the 2010 annual general meeting held on 22 June 2010, he ceased to act as the Chairman of the Remuneration Committee and Mr. Sham Sui Leung, Daniel was appointed as the Chairman of the Remuneration Committee with effect from 22 June 2010

#### *Remuneration policy*

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

#### *Emoluments of Directors*

The emoluments of the Directors are determined with regard to the performance of individuals, the Company's operating results and market standards. During the year, the Remuneration Committee has considered and approved bonus payments to the employees of the Group, salary adjustment for some of the employees of the Group and share options granted to the Directors and management of the Group. It also made recommendation to the Board for fixing director's fee for a new director.

#### (5) Finance Committee

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

#### (6) Regulatory Compliance Committee

The Regulatory Compliance Committee is made up of the Company's Executive Directors, namely, Mr. Ho, Lawrence Yau Lung (Chairman) and Mr. Tsui Che Yin, Frank and the Group Legal Counsel and Company Secretary (non-voting capacity). The Regulatory Compliance Committee holds meetings from time to time to discuss the ongoing compliance matters of the Group. It reviews and advises on matters relating to regulation of the Company's gaming business and compliance of applicable laws and regulations, including the Listing Rules.

#### (7) Corporate Social Responsibility Committee

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

薪酬委員會於二零一零年共舉行兩次會議。各委員會成員的出席記錄如下：

|            | 二零一零年<br>出席會議次數/<br>舉行之會議數目 | 出席率  |
|------------|-----------------------------|------|
| 羅嘉瑞醫生(主席)* | 1/1                         | 100% |
| 沈瑞良先生(主席)* | 1/1                         | 100% |
| 羅保爵士       | 2/2                         | 100% |
| 吳正和先生      | 2/2                         | 100% |

\* 羅嘉瑞醫生於二零一零年六月二十二日舉行之二零一零年股東週年大會退任本公司董事後，彼不再出任薪酬委員會主席，而沈瑞良先生由二零一零年六月二十二日起獲委任為薪酬委員會主席

#### 薪酬政策

本集團之薪酬策略及政策乃根據公平原則及市場競爭能力制訂，以推動員工致力達到集團之目標及吸引人才留效。作為一項長期激勵計劃及為鼓勵董事及僱員持續追隨本公司的目標，以及肯定彼等對本集團的貢獻，本公司已採納(1)一項購股權計劃，本公司可據此向董事／僱員授出可認購本公司股份的購股權；及(2)兩項股份獎勵計劃，分別是新濠股份購買計劃信託及新濠股份獎勵計劃信託，據此，本公司可向董事／僱員授出股份作為獎勵。

#### 董事酬金

董事酬金乃參照個人表現、本公司經營業績及市場標準釐定。年內，薪酬委員會已審議及批准向本集團僱員發放花紅、部份僱員的薪金調整，以及向董事及本集團管理層授出購股權。其亦就釐定一名新董事之董事袍金而向董事會提出建議。

#### (5) 財務委員會

財務委員會由本公司的執行董事何猷龍先生(主席)、徐志賢先生及鍾玉文先生，以及集團財務董事(無投票權身份)組成。財務委員會不時舉行會議，就本公司新增及現有業務的財務事務進行商討。其就本集團的財務、會計、庫務及風險管理政策、主要財務交易、企業規劃及預算案等廣泛事項進行檢討；並審查主要收購及投資，以及其資金需要。

#### (6) 監察事務委員會

監察事務委員會由本公司的執行董事何猷龍先生(主席)及徐志賢先生，以及集團法律顧問及公司秘書(無投票權身份)組成。監察事務委員會不時舉行會議，就本集團的持續監察事務進行商討。該委員會負責就有關本公司博彩業務的監管事項，以及遵守適用法例及法規(包括上市規則)的情況進行檢討及提出建議。

#### (7) 企業社會責任委員會

為提升本集團之社會責任常規，為本集團參與投資的國家推動其新一代之發展和成長，董事會於二零零八年一月成立了企業社會責任委員會。企業社會責任委員會之成員包括本公司之獨立非執行董事羅保爵士(主席)、執行董事何猷龍先生、徐志賢先生及鍾玉文先生，以及企業傳訊部主管(無投票權身份)。此委員會負責制訂本集團之企業社會責任策略及政策，監察本集團企業社會責任事務之發展及執行，包括政策、慣例、新濠義工隊及體現「環保、青少年成長和教育」之既定方針的其他慈善活動。

## DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for preparing the financial statements and the reporting responsibilities of the external auditors are set out on pages 96 and 97 of this annual report.

### INTERNAL CONTROL

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

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

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

### Management Supervision

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

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

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

### Group Internal Audit Function

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

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

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



Extracted from the Internal Control – Integrated Framework, COSO

#### (1) Control Environment

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

#### (2) Risk Assessment

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

## 董事及核數師對賬目的責任

有關董事編製財務報表之責任及外聘核數師之申報責任載於本年報第212頁及213頁內。

## 內部監控

本集團致力維持最高水平之誠信及信譽，以獲取客戶的尊重及信賴。

董事會知悉其於設立及確保穩健的內部監控及風險管理系統之整體責任，以保障股東之投資及本集團的資產。

董事會為履行其職責，指派其屬下的執行委員會負責監督本集團之內部監控、風險管理政策的施行及監察集團所有業務單位的業務及運作。董事會亦指派其審核委員會檢討和監督本集團之財務匯報及內部監控程序。

## 管理層監督

執行委員會及管理層已釐清本集團及其業務單位之組織架構，及制定了清晰的匯報流程及權責範圍，並已聘請勝任人員協助成立內部監控系統及確保重要資訊的流通。

執行委員會已就本集團及其業務單位實施一套風險管理程序，以提供一個有助識辨及評估重大的業務風險、營運風險、財務風險及遵例風險的評估框架。該委員會亦負責批核一套政策、程序、守則及指引，藉以降低經營活動附帶之重大固有風險。委員會並向全體僱員傳達「商業操守及道德守則」，為本集團締造高水平之誠信及道德價值文化。

執行委員會每月與業務單位之管理層舉行會議，以檢討業務計劃及策略、業務表現與預算之差異及主要營運統計數字。

## 集團內部稽核職能

本集團設有內部稽核部直接向審核委員會匯報。年度之內部稽核計劃已於審核委員會會議上批准。該部門負責就各業務進行風險評估及獨立審核、匯報所有重大監控及風險管理事宜，以及監察解決方案的進度。

內部稽核部採納以風險為本之稽核方法，以檢討及評估本集團之內部監控系統之完整性及有效程度。該稽核方法乃依據經香港會計師公會推薦之Committee of Sponsoring Organizations of the Treadway Commission (「COSO」) 所刊發之《內部監控－綜合架構》(Internal Control – Integrated Framework) 而制定。

內部稽核部採納下列之五個綜合架構元素，以進行審閱及評估集團的內部監控。



摘錄自《內部監控－綜合架構》，COSO

### (1) 監控環境

監控環境元素訂出本集團的監控基調，強化本集團員工的內部監控意識。監控環境是綜合架構內其他元素的根基，其提供了監控紀律及組織架構。監控環境之元素包括人員的道德價值、其勝任能力及董事會提供的監控指示。

### (2) 風險評估

風險評估元素包括識辨及分析與達到目標有關的風險(包括與不斷轉變的經濟、行業、監管及營運環境有關的風險)，該評估乃釐定應如何降低及管理這些風險的依據。

### (3) Control Activities

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

### (4) Information and Communication

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

### (5) Monitoring

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

## Audit Committee Supervision

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

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's system of internal control for the year ended 31 December 2010 covering all material financial, operational and compliance controls and risk management functions, and considers that the system of internal control is adequate and effective. The Audit Committee has also assessed the adequacy of resources, qualifications, experience, training programmes and budget of staff of the Group's Finance Department and considers that they are adequate.

## AUDITOR'S REMUNERATION

For the year ended 31 December 2010, the Company paid to its auditor, Deloitte Touche Tohmatsu, approximately HK\$2.5 million for audit and non-audit services provided to the Company. Out of this amount, HK\$1.6 million was for audit services and the balance of HK\$0.9 million was for non-audit services which include interim review of the

Group's financial statements, review of unaudited pro forma financial information of the Group for inclusion in the Company's circular, agreed-upon procedures for the Company's final results announcement and tax services.

## COMMUNICATION WITH SHAREHOLDERS

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

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

## SHAREHOLDERS' RIGHTS

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

**(3) 監控活動**

監控活動元素包括一些政策及程序，以確保管理層的指示得以執行，及採取行動應對影響達成目標的風險。

**(4) 資訊及溝通**

資訊及溝通元素包括用有效程序及系統以識別、蒐集及匯報營運、財務及法規遵守的相關資訊，並以適當的方式及恰當的時間範圍內溝通，確保員工能履行職責。

**(5) 監察**

監察元素為持續評估內部監控系統是否完備及有效的程序。監察活動可透過持續監控、個別評估或結合兩者而進行。內部監控不善之處應向高級管理層、審核委員會或董事會匯報。

**審核委員會監督**

審核委員會定期與集團財務董事、集團審計總監及外聘核數師舉行會議，以審閱財務報表及核數師就財務及內部監控事宜編製之報告書。審核委員會就其知悉之任何重大內部監控事宜、懷疑欺詐或不當行為、違規指稱，向董事會作出匯報。

於截至二零一零年十二月三十一日止年度，董事會已透過審核委員會檢討集團內部監控系統之有效性並確認內部監控系統為完備及有效。檢討範圍涵蓋所有重大監控層面，包括財務監控、運作監控、合規監控及風險管理功能。審核委員會亦已評核並認為本集團財政部員工之資源、資歷、經驗、培訓課程及預算為足夠。

**核數師酬金**

於截至二零一零年十二月三十一日止年度，本公司就核數師德勤•關黃陳方會計師行向本公司提供的審計及非審計服務而支付的酬金約為2,500,000港元，當中1,600,000港元用於審計服務，餘款900,000港元乃用於非審計服務，包括對本集團之財

務報表進行中期審閱、審閱本集團之未經審核備考財務資料以供載入本公司之通函、對本公司之全年業績公佈進行協定程序以及提供稅務服務。

**與股東的溝通**

本公司視其股東週年常會（「股東週年常會」）為年中大事，因為股東週年常會為董事會提供與股東溝通的大好機會。股東週年常會通告及相關文件於常會日期起計至少20個營業日前送交股東。本公司支持企業管治守則的原則，鼓勵股東出席股東週年常會，並鼓勵股東在會上提問。

本公司之公司秘書部及企業傳訊部負責回應股東／投資者的來函、電郵及電話查詢。股東及投資者如有查詢，可電郵往 [info@melco-group.com](mailto:info@melco-group.com) 或以書面方式將有關查詢寄交香港中環雲咸街60號中央廣場38樓，抬頭請註明集團法律顧問及公司秘書收。本公司網址 <http://www.melco-group.com> 也是向股東提供本公司及本集團資訊的渠道，當中包括「企業管治」的資料。

**股東權利**

誠如本公司組織章程細則第66條所述，董事會可酌情召開股東特別大會，而根據香港法例第32章公司條例（「公司條例」）規定，亦可應要求召開股東特別大會。根據公司條例第113條，於發出要求書當日持有本公司已繳足股本不少於二十分之一並有權於本公司股東大會投票的股東有權要求本公司召開股東特別大會。該要求書須列明召開大會的目的，並由提出要求者簽署及送交本公司的註冊辦事處，地址為香港中環雲咸街60號中央廣場38樓。為利便股東行使權利，每項獨立之事項均以獨立的決議案在股東大會上審議。

# REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for the year ended 31 December 2010.

## **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 52 to the consolidated financial statements.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31 December 2010 are set out in the consolidated income statement on pages 98 to 99 of this annual report.

An interim dividend of HK1.5 cents per ordinary share, amounting to approximately HK\$18,459,000, was declared to the shareholders during the year (2009: Nil). The directors do not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: Nil).

## **FIXED ASSETS**

Details of movements in the investment properties and property, plant and equipment during the year are set out in notes 21 and 22, respectively, to the consolidated financial statements.

## **SHARE CAPITAL AND SHARE OPTIONS**

Details of movements in the share capital and share options of the Company during the year are set out in notes 43 and 45, respectively, to the financial statements.

## **SUMMARY FINANCIAL INFORMATION**

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 184 of this annual report. This summary does not form part of the audited financial statements.

## **DISTRIBUTABLE RESERVES OF THE COMPANY**

At 31 December 2010, the Company's reserves available for distribution consisted of capital reserve of approximately HK\$253,004,000 (2009: HK\$271,463,000). The Company considered it has fulfilled those conditions required for distribution of capital reserve. In addition, the Company's share premium account, in the amount of approximately HK\$3,133,808,000 (2009: HK\$3,132,743,000), may be distributed in the form of fully paid bonus shares. Save as disclosed above, the Company had no reserve available for distribution in accordance with the provisions of section 79B of the Hong Kong Companies Ordinance.



# REPORT OF THE DIRECTORS

## MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers accounted for approximately 39% of the Group's total turnover for the year (2009: 72%) and the largest customer accounted for approximately 16% of the Group's turnover for the year (2009: 58%). The five largest suppliers accounted for approximately 59% of the Group's total purchases for the year (2009: 21%) and the largest supplier accounted for approximately 19% of the Group's purchases for the year (2009: 7%).

At 31 December 2009 and 2010, Mr. Ho, Lawrence Yau Lung, Mr. Tsui Che Yin, Frank and Mr. Chung Yuk Man, Clarence had interests in the form of shares/share options/restricted shares in Melco Crown Entertainment Limited ("Melco Crown Entertainment") (Melco Crown Entertainment is one of the five largest customers), details of which are set out in the section "Directors' Interests in Shares, Underlying Shares and Debentures". At no time during the years did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers. All transactions between the Group and the customers and suppliers concerned were carried out on normal commercial terms.

## DIRECTORS

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

### Executive Directors:

Mr. Ho, Lawrence Yau Lung (*Chairman and Chief Executive Officer*)

Mr. Tsui Che Yin, Frank

Mr. Chung Yuk Man, Clarence

### Non-executive Director:

Mr. Ng Ching Wo

### Independent Non-executive Directors:

Sir Roger Lobo

Mr. Sham Sui Leung, Daniel

Dr. Tyen Kan Hee, Anthony (appointed on 22 June 2010)

Dr. Lo Ka Shui (retired at the conclusion of the annual general meeting held on 22 June 2010)

Pursuant to Article 94 of the Company's Articles of Association, any director appointed during the year shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. In addition, pursuant to code provision A.4.2 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. In accordance with these provisions, Dr. Tyen Kan Hee, Anthony, who was appointed during the year to fill a casual vacancy, shall retire at the forthcoming annual general meeting, and being eligible, offer himself for re-election.

# REPORT OF THE DIRECTORS

## **DIRECTORS – continued**

Pursuant to Article 103(A) of the Company's Articles of Association, one-third of the directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office. The directors to retire in every year shall be those who have been longest in office since their last election. In addition, pursuant to code provision A.4.2 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, every director should be subject to retirement by rotation at least once every three years. In accordance with these provisions, Mr. Ho, Lawrence Yau Lung and Sir Roger Lobo shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

## **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

Biographical details of directors and senior management are set out on pages 48 to 55 of this annual report.

## **DIRECTORS' SERVICE CONTRACTS**

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

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

## **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

Save as disclosed in note 51 to the consolidated financial statements, no contracts of significance in relation to the Group's business to which the Company, or any of its holding companies, subsidiaries, or fellow subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

# REPORT OF THE DIRECTORS

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

As at 31 December 2010, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares, debentures and convertible loan notes of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

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

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

| Name of Director            | Capacity                        | Nature of interest | Number of ordinary shares held | Approximate % of issued share capital | Note |
|-----------------------------|---------------------------------|--------------------|--------------------------------|---------------------------------------|------|
| Mr. Ho, Lawrence Yau Lung   | Held by controlled corporations | Corporate          | 411,335,630                    | 33.43%                                | 2    |
|                             | Beneficial owner                | Personal           | 8,087,112                      | 0.66%                                 | –    |
| Mr. Tsui Che Yin, Frank     | Beneficial owner                | Personal           | 163,660                        | 0.01%                                 | –    |
| Mr. Chung Yuk Man, Clarence | Beneficial owner                | Personal           | 141,440                        | 0.01%                                 | –    |
| Sir Roger Lobo              | Beneficial owner                | Personal           | 58,000                         | 0.00%                                 | –    |
| Mr. Sham Sui Leung, Daniel  | Beneficial owner                | Personal           | 58,000                         | 0.00%                                 | –    |
| Mr. Ng Ching Wo             | Beneficial owner                | Personal           | 58,000                         | 0.00%                                 | –    |

## REPORT OF THE DIRECTORS

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

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

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

| Name of Director          | Number of share options             |                            |                              | Outstanding<br>at 31 December<br>2010 | Approximate %<br>of issued<br>share capital | Date of grant              | Exercisable<br>period      | Exercise<br>price<br>HK\$ |
|---------------------------|-------------------------------------|----------------------------|------------------------------|---------------------------------------|---|----------------------------|----------------------------|---------------------------|
|                           | Outstanding<br>at 1 January<br>2010 | Granted<br>during the year | Exercised<br>during the year |                                       |   |                            |                            |                           |
| Mr. Ho, Lawrence Yau Lung | 230,840                             | -                          | -                            | 230,840                               | 0.02%                                       | 01.04.2008                 | 01.04.2009 –<br>31.03.2018 | 10.804                    |
|                           | 230,840                             | -                          | -                            | 230,840                               | 0.02%                                       | 01.04.2008                 | 01.04.2010 –<br>31.03.2018 | 10.804                    |
|                           | 230,840                             | -                          | -                            | 230,840                               | 0.02%                                       | 01.04.2008                 | 01.04.2011 –<br>31.03.2018 | 10.804                    |
|                           | 89,333                              | -                          | -                            | 89,333                                | 0.01%                                       | 17.12.2008                 | 01.02.2009 –<br>16.12.2018 | 2.02                      |
|                           | 89,333                              | -                          | -                            | 89,333                                | 0.01%                                       | 17.12.2008                 | 01.05.2009 –<br>16.12.2018 | 2.02                      |
|                           | 89,333                              | -                          | -                            | 89,333                                | 0.01%                                       | 17.12.2008                 | 01.08.2009 –<br>16.12.2018 | 2.02                      |
|                           | 89,333                              | -                          | -                            | 89,333                                | 0.01%                                       | 17.12.2008                 | 01.11.2009 –<br>16.12.2018 | 2.02                      |
|                           | 89,333                              | -                          | -                            | 89,333                                | 0.01%                                       | 17.12.2008                 | 01.02.2010 –<br>16.12.2018 | 2.02                      |
|                           | 89,335                              | -                          | -                            | 89,335                                | 0.01%                                       | 17.12.2008                 | 01.05.2010 –<br>16.12.2018 | 2.02                      |
|                           | 76,500                              | -                          | -                            | 76,500                                | 0.01%                                       | 03.04.2009                 | 03.04.2010 –<br>02.04.2019 | 2.99                      |
|                           | 76,500                              | -                          | -                            | 76,500                                | 0.01%                                       | 03.04.2009                 | 03.04.2011 –<br>02.04.2019 | 2.99                      |
|                           | 77,000                              | -                          | -                            | 77,000                                | 0.01%                                       | 03.04.2009                 | 03.04.2012 –<br>02.04.2019 | 2.99                      |
|                           | -                                   | 200,000                    | -                            | 200,000                               | 0.02%                                       | 07.04.2010                 | 07.04.2010 –<br>06.04.2020 | 3.76                      |
|                           | -                                   | 242,000                    | -                            | 242,000                               | 0.02%                                       | 07.04.2010                 | 07.04.2011 –<br>06.04.2020 | 3.76                      |
|                           | -                                   | 242,000                    | -                            | 242,000                               | 0.02%                                       | 07.04.2010                 | 07.04.2012 –<br>06.04.2020 | 3.76                      |
|                           | -                                   | 244,000                    | -                            | 244,000                               | 0.02%                                       | 07.04.2010                 | 07.04.2013 –<br>06.04.2020 | 3.76                      |
|                           | -                                   | 200,000                    | -                            | 200,000                               | 0.02%                                       | 07.04.2010                 | 07.04.2014 –<br>06.04.2020 | 3.76                      |
| -                         | 200,000                             | -                          | 200,000                      | 0.02%                                 | 07.04.2010                                  | 07.04.2015 –<br>06.04.2020 | 3.76                       |                           |
|                           | 1,458,520                           | 1,328,000                  | -                            | 2,786,520                             | 0.27%                                       |                            |                            |                           |

# REPORT OF THE DIRECTORS

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

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

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

| Name of Director        | Number of share options             |                            |                              | Outstanding<br>at 31 December<br>2010 | Approximate %<br>of issued<br>share capital | Date of grant              | Exercisable<br>period      | Exercise<br>price<br>HK\$ |
|-------------------------|-------------------------------------|----------------------------|------------------------------|---------------------------------------|---|----------------------------|----------------------------|---------------------------|
|                         | Outstanding<br>at 1 January<br>2010 | Granted<br>during the year | Exercised<br>during the year |                                       |   |                            |                            |                           |
| Mr. Tsui Che Yin, Frank | 104,000                             | -                          | -                            | 104,000                               | 0.01%                                       | 01.04.2008                 | 01.04.2009 –<br>31.03.2018 | 10.804                    |
|                         | 104,000                             | -                          | -                            | 104,000                               | 0.01%                                       | 01.04.2008                 | 01.04.2010 –<br>31.03.2018 | 10.804                    |
|                         | 104,000                             | -                          | -                            | 104,000                               | 0.01%                                       | 01.04.2008                 | 01.04.2011 –<br>31.03.2018 | 10.804                    |
|                         | 91,000                              | -                          | -                            | 91,000                                | 0.01%                                       | 17.12.2008                 | 01.02.2009 –<br>16.12.2018 | 2.02                      |
|                         | 91,000                              | -                          | -                            | 91,000                                | 0.01%                                       | 17.12.2008                 | 01.05.2009 –<br>16.12.2018 | 2.02                      |
|                         | 91,000                              | -                          | -                            | 91,000                                | 0.01%                                       | 17.12.2008                 | 01.08.2009 –<br>16.12.2018 | 2.02                      |
|                         | 91,000                              | -                          | -                            | 91,000                                | 0.01%                                       | 17.12.2008                 | 01.11.2009 –<br>16.12.2018 | 2.02                      |
|                         | 91,000                              | -                          | -                            | 91,000                                | 0.01%                                       | 17.12.2008                 | 01.02.2010 –<br>16.12.2018 | 2.02                      |
|                         | 91,000                              | -                          | -                            | 91,000                                | 0.01%                                       | 17.12.2008                 | 01.05.2010 –<br>16.12.2018 | 2.02                      |
|                         | 50,000                              | -                          | -                            | 50,000                                | 0.00%                                       | 03.04.2009                 | 03.04.2010 –<br>02.04.2019 | 2.99                      |
|                         | 50,000                              | -                          | -                            | 50,000                                | 0.00%                                       | 03.04.2009                 | 03.04.2011 –<br>02.04.2019 | 2.99                      |
|                         | 60,000                              | -                          | -                            | 60,000                                | 0.00%                                       | 03.04.2009                 | 03.04.2012 –<br>02.04.2019 | 2.99                      |
|                         | -                                   | 166,000                    | -                            | 166,000                               | 0.01%                                       | 07.04.2010                 | 07.04.2010 –<br>06.04.2020 | 3.76                      |
|                         | -                                   | 232,000                    | -                            | 232,000                               | 0.02%                                       | 07.04.2010                 | 07.04.2011 –<br>06.04.2020 | 3.76                      |
|                         | -                                   | 232,000                    | -                            | 232,000                               | 0.02%                                       | 07.04.2010                 | 07.04.2012 –<br>06.04.2020 | 3.76                      |
|                         | -                                   | 232,000                    | -                            | 232,000                               | 0.02%                                       | 07.04.2010                 | 07.04.2013 –<br>06.04.2020 | 3.76                      |
| -                       | 166,000                             | -                          | 166,000                      | 0.01%                                 | 07.04.2010                                  | 07.04.2014 –<br>06.04.2020 | 3.76                       |                           |
| -                       | 170,000                             | -                          | 170,000                      | 0.01%                                 | 07.04.2010                                  | 07.04.2015 –<br>06.04.2020 | 3.76                       |                           |
|                         | 1,018,000                           | 1,198,000                  | -                            | 2,216,000                             | 0.18%                                       |                            |                            |                           |

# REPORT OF THE DIRECTORS

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

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

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

| Name of Director               | Number of share options             |                            |                              | Outstanding<br>at 31 December<br>2010 | Approximate %<br>of issued<br>share capital | Date of grant              | Exercisable<br>period      | Exercise<br>price<br>HK\$ |
|--------------------------------|-------------------------------------|----------------------------|------------------------------|---------------------------------------|---|----------------------------|----------------------------|---------------------------|
|                                | Outstanding<br>at 1 January<br>2010 | Granted<br>during the year | Exercised<br>during the year |                                       |   |                            |                            |                           |
| Mr. Chung Yuk Man,<br>Clarence | 200,000                             | -                          | -                            | 200,000                               | 0.02%                                       | 01.02.2005                 | 17.09.2009 –<br>07.03.2012 | 7.4                       |
|                                | 130,000                             | -                          | -                            | 130,000                               | 0.01%                                       | 13.02.2006                 | 01.04.2008 –<br>31.01.2016 | 11.8                      |
|                                | 130,000                             | -                          | -                            | 130,000                               | 0.01%                                       | 13.02.2006                 | 01.04.2010 –<br>31.01.2016 | 11.8                      |
|                                | 140,000                             | -                          | -                            | 140,000                               | 0.01%                                       | 13.02.2006                 | 01.04.2012 –<br>31.01.2016 | 11.8                      |
|                                | 104,000                             | -                          | -                            | 104,000                               | 0.01%                                       | 01.04.2008                 | 01.04.2009 –<br>31.03.2018 | 10.804                    |
|                                | 104,000                             | -                          | -                            | 104,000                               | 0.01%                                       | 01.04.2008                 | 01.04.2010 –<br>31.03.2018 | 10.804                    |
|                                | 104,000                             | -                          | -                            | 104,000                               | 0.01%                                       | 01.04.2008                 | 01.04.2011 –<br>31.03.2018 | 10.804                    |
|                                | 91,000                              | -                          | -                            | 91,000                                | 0.01%                                       | 17.12.2008                 | 01.02.2009 –<br>16.12.2018 | 2.02                      |
|                                | 91,000                              | -                          | -                            | 91,000                                | 0.01%                                       | 17.12.2008                 | 01.05.2009 –<br>16.12.2018 | 2.02                      |
|                                | 91,000                              | -                          | -                            | 91,000                                | 0.01%                                       | 17.12.2008                 | 01.08.2009 –<br>16.12.2018 | 2.02                      |
|                                | 91,000                              | -                          | -                            | 91,000                                | 0.01%                                       | 17.12.2008                 | 01.11.2009 –<br>16.12.2018 | 2.02                      |
|                                | 91,000                              | -                          | -                            | 91,000                                | 0.01%                                       | 17.12.2008                 | 01.02.2010 –<br>16.12.2018 | 2.02                      |
|                                | 91,000                              | -                          | -                            | 91,000                                | 0.01%                                       | 17.12.2008                 | 01.05.2010 –<br>16.12.2018 | 2.02                      |
|                                | 50,000                              | -                          | -                            | 50,000                                | 0.00%                                       | 03.04.2009                 | 03.04.2010 –<br>02.04.2019 | 2.99                      |
|                                | 50,000                              | -                          | -                            | 50,000                                | 0.00%                                       | 03.04.2009                 | 03.04.2011 –<br>02.04.2019 | 2.99                      |
|                                | 60,000                              | -                          | -                            | 60,000                                | 0.00%                                       | 03.04.2009                 | 03.04.2012 –<br>02.04.2019 | 2.99                      |
|                                | -                                   | 166,000                    | -                            | 166,000                               | 0.01%                                       | 07.04.2010                 | 07.04.2010 –<br>06.04.2020 | 3.76                      |
|                                | -                                   | 232,000                    | -                            | 232,000                               | 0.02%                                       | 07.04.2010                 | 07.04.2011 –<br>06.04.2020 | 3.76                      |
|                                | -                                   | 232,000                    | -                            | 232,000                               | 0.02%                                       | 07.04.2010                 | 07.04.2012 –<br>06.04.2020 | 3.76                      |
|                                | -                                   | 232,000                    | -                            | 232,000                               | 0.02%                                       | 07.04.2010                 | 07.04.2013 –<br>06.04.2020 | 3.76                      |
| -                              | 166,000                             | -                          | 166,000                      | 0.01%                                 | 07.04.2010                                  | 07.04.2014 –<br>06.04.2020 | 3.76                       |                           |
| -                              | 170,000                             | -                          | 170,000                      | 0.01%                                 | 07.04.2010                                  | 07.04.2015 –<br>06.04.2020 | 3.76                       |                           |
|                                | 1,618,000                           | 1,198,000                  | -                            | 2,816,000                             | 0.23%                                       |                            |                            |                           |

# REPORT OF THE DIRECTORS

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

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

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

| Name of Director | Number of share options             |                            |                              | Outstanding<br>at 31 December<br>2010 | Approximate %<br>of issued<br>share capital | Date of grant | Exercisable<br>period      | Exercise<br>price<br>HK\$ |
|------------------|-------------------------------------|----------------------------|------------------------------|---------------------------------------|---|---------------|----------------------------|---------------------------|
|                  | Outstanding<br>at 1 January<br>2010 | Granted<br>during the year | Exercised<br>during the year |                                       |   |               |                            |                           |
| Sir Roger Lobo   | 100,000                             | -                          | -                            | 100,000                               | 0.01%                                       | 03.04.2006    | 03.04.2008 –<br>02.04.2016 | 15.87                     |
|                  | 100,000                             | -                          | -                            | 100,000                               | 0.01%                                       | 03.04.2006    | 03.04.2010 –<br>02.04.2016 | 15.87                     |
|                  | 100,000                             | -                          | -                            | 100,000                               | 0.01%                                       | 03.04.2006    | 03.04.2012 –<br>02.04.2016 | 15.87                     |
|                  | 17,000                              | -                          | -                            | 17,000                                | 0.00%                                       | 28.02.2008    | 01.04.2009 –<br>27.02.2018 | 11.5                      |
|                  | 17,000                              | -                          | -                            | 17,000                                | 0.00%                                       | 28.02.2008    | 01.04.2010 –<br>27.02.2018 | 11.5                      |
|                  | 17,000                              | -                          | -                            | 17,000                                | 0.00%                                       | 28.02.2008    | 01.04.2011 –<br>27.02.2018 | 11.5                      |
|                  | 30,000                              | -                          | -                            | 30,000                                | 0.00%                                       | 03.04.2009    | 03.04.2010 –<br>02.04.2019 | 2.99                      |
|                  | 30,000                              | -                          | -                            | 30,000                                | 0.00%                                       | 03.04.2009    | 03.04.2011 –<br>02.04.2019 | 2.99                      |
|                  | 31,000                              | -                          | -                            | 31,000                                | 0.00%                                       | 03.04.2009    | 03.04.2012 –<br>02.04.2019 | 2.99                      |
|                  | -                                   | 20,000                     | -                            | 20,000                                | 0.00%                                       | 07.04.2010    | 07.04.2011 –<br>06.04.2020 | 3.76                      |
|                  | -                                   | 20,000                     | -                            | 20,000                                | 0.00%                                       | 07.04.2010    | 07.04.2012 –<br>06.04.2020 | 3.76                      |
|                  | -                                   | 20,000                     | -                            | 20,000                                | 0.00%                                       | 07.04.2010    | 07.04.2013 –<br>06.04.2020 | 3.76                      |
|                  | 442,000                             | 60,000                     | -                            | 502,000                               | 0.03%                                       |               |                            |                           |

## REPORT OF THE DIRECTORS

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

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

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

| Name of Director           | Number of share options             |                            |                              | Outstanding<br>at 31 December<br>2010 | Approximate %<br>of issued<br>share capital | Date of grant | Exercisable<br>period      | Exercise<br>price<br>HK\$ |
|----------------------------|-------------------------------------|----------------------------|------------------------------|---------------------------------------|---|---------------|----------------------------|---------------------------|
|                            | Outstanding<br>at 1 January<br>2010 | Granted<br>during the year | Exercised<br>during the year |                                       |   |               |                            |                           |
| Mr. Sham Sui Leung, Daniel | 17,000                              | -                          | -                            | 17,000                                | 0.00%                                       | 28.02.2008    | 01.04.2009 –<br>27.02.2018 | 11.5                      |
|                            | 17,000                              | -                          | -                            | 17,000                                | 0.00%                                       | 28.02.2008    | 01.04.2010 –<br>27.02.2018 | 11.5                      |
|                            | 17,000                              | -                          | -                            | 17,000                                | 0.00%                                       | 28.02.2008    | 01.04.2011 –<br>27.02.2018 | 11.5                      |
|                            | 30,000                              | -                          | -                            | 30,000                                | 0.00%                                       | 03.04.2009    | 03.04.2010 –<br>02.04.2019 | 2.99                      |
|                            | 30,000                              | -                          | -                            | 30,000                                | 0.00%                                       | 03.04.2009    | 03.04.2011 –<br>02.04.2019 | 2.99                      |
|                            | 31,000                              | -                          | -                            | 31,000                                | 0.00%                                       | 03.04.2009    | 03.04.2012 –<br>02.04.2019 | 2.99                      |
|                            | -                                   | 20,000                     | -                            | 20,000                                | 0.00%                                       | 07.04.2010    | 07.04.2011 –<br>06.04.2020 | 3.76                      |
|                            | -                                   | 20,000                     | -                            | 20,000                                | 0.00%                                       | 07.04.2010    | 07.04.2012 –<br>06.04.2020 | 3.76                      |
|                            | -                                   | 20,000                     | -                            | 20,000                                | 0.00%                                       | 07.04.2010    | 07.04.2013 –<br>06.04.2020 | 3.76                      |
|                            |                                     | 142,000                    | 60,000                       | -                                     | 202,000                                     | 0.00%         |                            |                           |



# REPORT OF THE DIRECTORS

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

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

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

| Name of Director | Number of share options             |                            |                              | Outstanding<br>at 31 December<br>2010 | Approximate %<br>of issued<br>share capital | Date of grant | Exercisable<br>period      | Exercise<br>price<br>HK\$ |
|------------------|-------------------------------------|----------------------------|------------------------------|---------------------------------------|---|---------------|----------------------------|---------------------------|
|                  | Outstanding<br>at 1 January<br>2010 | Granted<br>during the year | Exercised<br>during the year |                                       |   |               |                            |                           |
| Mr. Ng Ching Wo  | 100,000                             | -                          | -                            | 100,000                               | 0.01%                                       | 03.04.2006    | 03.04.2008 –<br>02.04.2016 | 15.87                     |
|                  | 100,000                             | -                          | -                            | 100,000                               | 0.01%                                       | 03.04.2006    | 03.04.2010 –<br>02.04.2016 | 15.87                     |
|                  | 100,000                             | -                          | -                            | 100,000                               | 0.01%                                       | 03.04.2006    | 03.04.2012 –<br>02.04.2016 | 15.87                     |
|                  | 17,000                              | -                          | -                            | 17,000                                | 0.00%                                       | 28.02.2008    | 01.04.2009 –<br>27.02.2018 | 11.5                      |
|                  | 17,000                              | -                          | -                            | 17,000                                | 0.00%                                       | 28.02.2008    | 01.04.2010 –<br>27.02.2018 | 11.5                      |
|                  | 17,000                              | -                          | -                            | 17,000                                | 0.00%                                       | 28.02.2008    | 01.04.2011 –<br>27.02.2018 | 11.5                      |
|                  | 30,000                              | -                          | -                            | 30,000                                | 0.00%                                       | 03.04.2009    | 03.04.2010 –<br>02.04.2019 | 2.99                      |
|                  | 30,000                              | -                          | -                            | 30,000                                | 0.00%                                       | 03.04.2009    | 03.04.2011 –<br>02.04.2019 | 2.99                      |
|                  | 31,000                              | -                          | -                            | 31,000                                | 0.00%                                       | 03.04.2009    | 03.04.2012 –<br>02.04.2019 | 2.99                      |
|                  | -                                   | 20,000                     | -                            | 20,000                                | 0.00%                                       | 07.04.2010    | 07.04.2011 –<br>06.04.2020 | 3.76                      |
|                  | -                                   | 20,000                     | -                            | 20,000                                | 0.00%                                       | 07.04.2010    | 07.04.2012 –<br>06.04.2020 | 3.76                      |
|                  | -                                   | 20,000                     | -                            | 20,000                                | 0.00%                                       | 07.04.2010    | 07.04.2013 –<br>06.04.2020 | 3.76                      |
|                  | 442,000                             | 60,000                     | -                            | 502,000                               | 0.03%                                       |               |                            |                           |
| Total            | 5,120,520                           | 3,904,000                  | -                            | 9,024,520                             | 0.74%                                       |               |                            |                           |

# REPORT OF THE DIRECTORS

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

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

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

| Name of Director            | Number of awarded shares      |                         |                        | Outstanding at 31 December 2010 | Approximate % of issued share capital | Date of award | Vesting date |
|-----------------------------|-------------------------------|-------------------------|------------------------|---------------------------------|---------------------------------------|---------------|--------------|
|                             | Outstanding at 1 January 2010 | Awarded during the year | Vested during the year |                                 |                                       |               |              |
| Mr. Ho, Lawrence Yau Lung   | 87,325                        | –                       | (87,325)               | –                               | 0.000%                                | 01.04.2008    | 01.04.2010   |
|                             | 96,666                        | –                       | (96,666)               | –                               | 0.000%                                | 17.12.2008    | 01.02.2010   |
|                             | 96,670                        | –                       | (96,670)               | –                               | 0.000%                                | 17.12.2008    | 01.05.2010   |
|                             | 12,500                        | –                       | (12,500)               | –                               | 0.000%                                | 03.04.2009    | 03.04.2010   |
|                             | 12,500                        | –                       | –                      | 12,500                          | 0.001%                                | 03.04.2009    | 03.04.2011   |
|                             | 13,000                        | –                       | –                      | 13,000                          | 0.001%                                | 03.04.2009    | 03.04.2012   |
|                             | 318,661                       | –                       | (293,161)              | 25,500                          | 0.002%                                |               |              |
| Mr. Tsui Che Yin, Frank     | 22,220                        | –                       | (22,220)               | –                               | 0.000%                                | 01.04.2008    | 01.04.2010   |
|                             | 14,666                        | –                       | (14,666)               | –                               | 0.000%                                | 17.12.2008    | 01.02.2010   |
|                             | 14,670                        | –                       | (14,670)               | –                               | 0.000%                                | 17.12.2008    | 01.05.2010   |
|                             | 9,000                         | –                       | (9,000)                | –                               | 0.000%                                | 03.04.2009    | 03.04.2010   |
|                             | 9,000                         | –                       | –                      | 9,000                           | 0.001%                                | 03.04.2009    | 03.04.2011   |
|                             | 9,000                         | –                       | –                      | 9,000                           | 0.001%                                | 03.04.2009    | 03.04.2012   |
|                             | 78,556                        | –                       | (60,556)               | 18,000                          | 0.002%                                |               |              |
| Mr. Chung Yuk Man, Clarence | 22,220                        | –                       | (22,220)               | –                               | 0.000%                                | 01.04.2008    | 01.04.2010   |
|                             | 14,666                        | –                       | (14,666)               | –                               | 0.000%                                | 17.12.2008    | 01.02.2010   |
|                             | 14,670                        | –                       | (14,670)               | –                               | 0.000%                                | 17.12.2008    | 01.05.2010   |
|                             | 9,000                         | –                       | (9,000)                | –                               | 0.000%                                | 03.04.2009    | 03.04.2010   |
|                             | 9,000                         | –                       | –                      | 9,000                           | 0.001%                                | 03.04.2009    | 03.04.2011   |
|                             | 9,000                         | –                       | –                      | 9,000                           | 0.001%                                | 03.04.2009    | 03.04.2012   |
|                             | 78,556                        | –                       | (60,556)               | 18,000                          | 0.002%                                |               |              |
| Sir Roger Lobo              | 15,000                        | –                       | (15,000)               | –                               | 0.000%                                | 28.02.2008    | 31.03.2010   |
|                             | 4,000                         | –                       | (4,000)                | –                               | 0.000%                                | 28.02.2008    | 01.04.2010   |
|                             | 4,000                         | –                       | –                      | 4,000                           | 0.000%                                | 28.02.2008    | 01.04.2011   |
|                             | 5,000                         | –                       | (5,000)                | –                               | 0.000%                                | 03.04.2009    | 03.04.2010   |
|                             | 5,000                         | –                       | –                      | 5,000                           | 0.000%                                | 03.04.2009    | 03.04.2011   |
|                             | 5,000                         | –                       | –                      | 5,000                           | 0.000%                                | 03.04.2009    | 03.04.2012   |
|                             | 38,000                        | –                       | (24,000)               | 14,000                          | 0.000%                                |               |              |
| Mr. Sham Sui Leung, Daniel  | 15,000                        | –                       | (15,000)               | –                               | 0.000%                                | 28.02.2008    | 31.03.2010   |
|                             | 4,000                         | –                       | (4,000)                | –                               | 0.000%                                | 28.02.2008    | 01.04.2010   |
|                             | 4,000                         | –                       | –                      | 4,000                           | 0.000%                                | 28.02.2008    | 01.04.2011   |
|                             | 5,000                         | –                       | (5,000)                | –                               | 0.000%                                | 03.04.2009    | 03.04.2010   |
|                             | 5,000                         | –                       | –                      | 5,000                           | 0.000%                                | 03.04.2009    | 03.04.2011   |
|                             | 5,000                         | –                       | –                      | 5,000                           | 0.000%                                | 03.04.2009    | 03.04.2012   |
|                             | 38,000                        | –                       | (24,000)               | 14,000                          | 0.000%                                |               |              |

# REPORT OF THE DIRECTORS

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

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

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

| Name of Director | Number of awarded shares      |                         |                        | Outstanding at 31 December 2010 | Approximate % of issued share capital | Date of award | Vesting date |
|------------------|-------------------------------|-------------------------|------------------------|---------------------------------|---------------------------------------|---------------|--------------|
|                  | Outstanding at 1 January 2010 | Awarded during the year | Vested during the year |                                 |                                       |               |              |
| Mr. Ng Ching Wo  | 15,000                        | -                       | (15,000)               | -                               | 0.000%                                | 28.02.2008    | 31.03.2010   |
|                  | 4,000                         | -                       | (4,000)                | -                               | 0.000%                                | 28.02.2008    | 01.04.2010   |
|                  | 4,000                         | -                       | -                      | 4,000                           | 0.000%                                | 28.02.2008    | 01.04.2011   |
|                  | 5,000                         | -                       | (5,000)                | -                               | 0.000%                                | 03.04.2009    | 03.04.2010   |
|                  | 5,000                         | -                       | -                      | 5,000                           | 0.000%                                | 03.04.2009    | 03.04.2011   |
|                  | 5,000                         | -                       | -                      | 5,000                           | 0.000%                                | 03.04.2009    | 03.04.2012   |
|                  | 38,000                        | -                       | (24,000)               | 14,000                          | 0.000%                                |               |              |
| Total            | 589,773                       | -                       | (486,273)              | 103,550                         | 0.006%                                |               |              |

- (d) Convertible loan notes issued by the Company

| Name of Director          | Capacity      | Number of underlying shares held | Approximate % of issued share capital | Note |
|---------------------------|---------------|----------------------------------|---------------------------------------|------|
| Mr. Ho, Lawrence Yau Lung | Held by trust | 298,982,188                      | 24.30%                                | 3    |

*Notes:*

- As at 31 December 2010, the total number of issued shares of the Company was 1,230,591,444.
- 115,509,024 shares of the Company are held by Lasting Legend Ltd., representing approximately 9.39% of the issued share capital of the Company, 288,532,606 shares of the Company are held by Better Joy Overseas Ltd., representing approximately 23.45% of the issued share capital of the Company and 7,294,000 shares of the Company are held by The L3G Capital Trust, representing approximately 0.59% of the issued share capital of the Company. Lasting Legend Ltd., Better Joy Overseas Ltd. and The L3G Capital Trust are owned by persons, companies and/or trusts associated with Mr. Ho, Lawrence Yau Lung. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung was deemed to be interested in the shares held by Lasting Legend Ltd., Better Joy Overseas Ltd. and The L3G Capital Trust.
- Pursuant to an agreement dated 11 May 2005 entered into between Great Respect Limited, MCE Holdings Three Limited (formerly known as MPEL (Greater China) Limited) and the Company, convertible loan notes in the total principal amount of HK\$1,175,000,000 (the "Convertible Loan Notes") were issued by the Company to Great Respect Limited on 5 September 2005 on the terms set out in the agreement. On 8 February 2010, the shareholders of the Company at the extraordinary general meeting have approved (1) the amendments to the terms of the Convertible Loan Notes (the "Amended Convertible Loan Notes") pursuant to the deed of amendment dated 16 December 2009 entered into between the Company and Great Respect Limited and (2) a new whitewash waiver waiving the obligation of Great Respect Limited and Mr. Ho, Lawrence Yau Lung to make a mandatory general offer for the shares of the Company as a result of any and all future exercises of the conversion rights under the Amended Convertible Loan Notes pursuant to the provisions of Rule 26 of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Hence, no offer under Rule 26 of the Takeovers Code will be made on full conversion of the Amended Convertible Loan Notes.

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

# REPORT OF THE DIRECTORS

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

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

#### (A) Melco Crown Entertainment Limited (“Melco Crown Entertainment”)

##### (a) Ordinary shares of US\$0.01 each of Melco Crown Entertainment

| Name of Director            | Capacity                        | Number of ordinary shares of Melco Crown Entertainment held | Approximate % of issued share capital of Melco Crown Entertainment | Note |
|-----------------------------|---------------------------------|---|--|------|
| Mr. Ho, Lawrence Yau Lung   | Held by controlled corporations | 542,129,618   | 33.76%   | 2    |
|                             | Beneficial owner                | 2,435,772   | 0.15%  | –    |
| Mr. Tsui Che Yin, Frank     | Beneficial owner                | 11,850  | 0.00%  | –    |
| Mr. Chung Yuk Man, Clarence | Beneficial owner                | 34,714  | 0.00%  | –    |

##### (b) Restricted shares awarded by Melco Crown Entertainment

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

# REPORT OF THE DIRECTORS

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

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

#### (A) Melco Crown Entertainment Limited (“Melco Crown Entertainment”) – continued

##### (c) Stock options granted by Melco Crown Entertainment

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

#### Notes:

- As at 31 December 2010, the total number of issued shares of Melco Crown Entertainment was 1,605,658,111.
- Mr. Ho, Lawrence Yau Lung is taken to be interested in (i) 536,116,538 shares of Melco Crown Entertainment which are being held by Melco Leisure and Entertainment Group Limited (“Melco Leisure”), a wholly owned subsidiary of the Company; and (ii) 6,013,080 shares of Melco Crown Entertainment which are being held by Melco Crown SPV Limited, a company which is owned by Melco Leisure as to 50%, as a result of him being beneficially interested in approximately 34.08% of the issued share capital of the Company which in turn holds approximately 33.76% of the issued share capital of Melco Crown Entertainment.
- The personal interests of these directors represent their interests in Melco Crown Entertainment comprising the restricted shares which were granted to them by Melco Crown Entertainment on 18 March 2008 pursuant to the restricted share award agreement under the Share Incentive Plan adopted by Melco Crown Entertainment in 2006.  
  
The 62,292 restricted shares held by Mr. Ho, Lawrence Yau Lung shall vest on 18 March 2012. The 3,114 restricted shares held by Mr. Chung Yuk Man, Clarence shall vest on 18 March 2012.
- The personal interests of these directors represent their interests in Melco Crown Entertainment comprising the restricted shares which were granted to them by Melco Crown Entertainment on 17 March 2009.  
  
Among the 483,129 restricted shares held by Mr. Ho, Lawrence Yau Lung, 241,563 shares shall vest on 17 March 2011 and 241,566 shares shall vest on 17 March 2013. Among the 23,007 restricted shares held by Mr. Chung Yuk Man, Clarence, 11,502 shares shall vest on 17 March 2011 and 11,505 shares shall vest on 17 March 2013.

# REPORT OF THE DIRECTORS

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

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

#### (A) Melco Crown Entertainment Limited (“Melco Crown Entertainment”) – continued

##### (c) Stock options granted by Melco Crown Entertainment – continued

Notes: – continued

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

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

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

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

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

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

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

# REPORT OF THE DIRECTORS

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

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

#### (B) Mountain China Resorts (Holding) Limited (formerly known as Melco China Resorts (Holding) Limited) (“MCR”)

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

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

##### (b) Stock options granted by MCR

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

##### Notes:

- As at 31 December 2010, the total number of issued common shares of MCR was 202,825,011.
- Mr. Ho, Lawrence Yau Lung is taken to be interested in 58,233,365 common shares of MCR, which are being held by Melco (Luxembourg) S.à.r.l., a wholly-owned subsidiary of Melco Leisure, as a result of him being beneficially interested in approximately 34.08% of the issued share capital of the Company which in turn holds approximately 28.71% of the issued common shares of MCR.
- The personal interest of Mr. Chung Yuk Man, Clarence represents his derivative interest in MCR comprising the stock options to acquire common shares of MCR granted by MCR on 28 May 2008 at an exercise price of C\$3.00 per common share pursuant to the Stock Option Plan adopted by MCR in 2008.

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

# REPORT OF THE DIRECTORS

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

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

#### (C) Entertainment Gaming Asia Inc. (formerly known as Elixir Gaming Technologies, Inc.) (“EGT”)

##### (a) Shares of common stock of US\$0.001 each of EGT

| Name of Director            | Capacity                        | Number of shares of common stock of EGT held | Approximate % of issued share capital of EGT | Note |
|-----------------------------|---------------------------------|--|--|------|
| Mr. Ho, Lawrence Yau Lung   | Held by controlled corporations | 45,800,000                                   | 39.42%                                       | 2    |
| Mr. Chung Yuk Man, Clarence | Beneficial owner                | 625,000                                      | 0.54%  | –    |

##### (b) Warrants issued by EGT

| Name of Director          | Capacity                        | Number of underlying shares of EGT held | Approximate % of issued share capital of EGT | Notes |
|---------------------------|---------------------------------|---|--|-------|
| Mr. Ho, Lawrence Yau Lung | Held by controlled corporations | 10,000,000                              | 8.61%  | 2 & 3 |



# REPORT OF THE DIRECTORS

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

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

#### (C) Entertainment Gaming Asia Inc. (formerly known as Elixir Gaming Technologies, Inc.) (“EGT”) – continued

##### (c) Stock options granted by EGT

| Name of Director            | Capacity         | Number of stock options of EGT held | Approximate % of issued share capital of EGT | Note |
|-----------------------------|------------------|-------------------------------------|--|------|
| Mr. Tsui Che Yin, Frank     | Beneficial owner | 1,000,000                           | 0.86%  | 4    |
| Mr. Chung Yuk Man, Clarence | Beneficial owner | 200,000                             | 0.17%  | 4    |
|                             | Beneficial owner | 30,000                              | 0.03%  | 5    |
|                             | Beneficial owner | 100,000                             | 0.09%  | 6    |
|                             | Beneficial owner | 2,000,000                           | 1.72%  | 8    |
|                             | Beneficial owner | 50,000                              | 0.04%  | 9    |
|                             | Beneficial owner | 50,000                              | 0.04%  | 10   |
|                             | Beneficial owner | 500,000                             | 0.43%  | 11   |
| Mr. Sham Sui Leung, Daniel  | Beneficial owner | 100,000                             | 0.09%  | 7    |
|                             | Beneficial owner | 50,000                              | 0.04%  | 9    |
| Dr. Tyen Kan Hee, Anthony   | Beneficial owner | 100,000                             | 0.09%  | 7    |
|                             | Beneficial owner | 50,000                              | 0.04%  | 9    |
|                             | Beneficial owner | 50,000                              | 0.04%  | 10   |

##### (d) Restricted common stock granted by EGT

| Name of Director            | Capacity         | Number of shares of restricted common stock of EGT held | Approximate % of issued share capital of EGT | Note |
|-----------------------------|------------------|---|--|------|
| Mr. Chung Yuk Man, Clarence | Beneficial owner | 472,727   | 0.41%  | 12   |

# REPORT OF THE DIRECTORS

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

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

#### (C) Entertainment Gaming Asia Inc. (formerly known as Elixir Gaming Technologies, Inc.) (“EGT”) – continued

##### (d) Restricted common stock granted by EGT – continued

###### Notes:

1. As at 31 December 2010, the total number of issued shares of common stock of EGT was 116,189,394.
2. Mr. Ho, Lawrence Yau Lung is deemed to be interested in 45,800,000 shares of common stock of EGT and 10,000,000 underlying shares of EGT (which relate to certain EGT warrants as described in Note 3), which are being held by EGT Entertainment Holding Limited (formerly known as Elixir Group Limited) (“EGT Holding”), a wholly-owned subsidiary of the Company, as a result of him being beneficially interested in approximately 34.08% of the issued share capital of the Company which in turn holds approximately 39.42% of the issued share capital of EGT.
3. The 10,000,000 underlying shares relate to 10,000,000 warrants issued by EGT to EGT Holding pursuant to the Securities Purchase Agreement entered into between EGT Holding and EGT dated 11 October 2006. Each warrant entitles the warrant holder to subscribe for one share of common stock of EGT at exercise prices ranging from US\$1.00 to US\$3.50 per share during the period from 31 December 2007 to 31 December 2010.
4. The personal interests of Mr. Tsui Che Yin, Frank and Mr. Chung Yuk Man, Clarence represent their derivative interests in EGT comprising the stock options granted to them by EGT on 10 September 2007 at an exercise price of US\$2.90 per EGT's share.

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

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

5. The personal interest of Mr. Chung Yuk Man, Clarence represents his derivative interests in EGT comprising the stock options granted to him by EGT on 22 January 2008 at an exercise price of US\$3.62 per EGT's share. The 30,000 stock options may be exercised during the period from 23 July 2008 to 22 January 2018.
6. The personal interest of Mr. Chung Yuk Man, Clarence represents his derivative interests in EGT comprising the stock options granted to him by EGT on 12 February 2008 at an exercise price of US\$4.59 per EGT's share. The 100,000 stock options may be exercised during the period from 15 May 2008 to 14 November 2017.
7. The personal interests of Mr. Sham Sui Leung, Daniel and Dr. Tyen Kan Hee, Anthony represent their derivative interests in EGT comprising the stock options granted to them by EGT on 11 December 2008 at an exercise price of US\$0.08 per EGT's share. The 100,000 stock options held by each of Mr. Sham and Dr. Tyen may be exercised during the period from 12 June 2009 to 11 December 2018.
8. The personal interest of Mr. Chung Yuk Man, Clarence represents his derivative interests in EGT comprising the stock options granted to him by EGT on 29 December 2008 at an exercise price of US\$0.17 per EGT's share. The 2,000,000 stock options may be exercised during the period from 29 December 2009 to 29 December 2013.

# REPORT OF THE DIRECTORS

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

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

#### (C) Entertainment Gaming Asia Inc. (formerly known as Elixir Gaming Technologies, Inc.) (“EGT”) – continued

##### (d) Restricted common stock granted by EGT – continued

Notes: – continued

9. The personal interests of Mr. Chung Yuk Man, Clarence, Mr. Sham Sui Leung, Daniel and Dr. Tyen Kan Hee, Anthony represent their derivative interests in EGT comprising the stock options granted to them by EGT on 12 February 2009 at an exercise price of US\$0.13 per EGT's share. The 50,000 stock options held by each of Mr. Chung, Mr. Sham and Dr. Tyen may be exercised during the period from 13 August 2009 to 12 February 2019.
10. The personal interests of Mr. Chung Yuk Man, Clarence and Dr. Tyen Kan Hee, Anthony represent their derivative interests in EGT comprising the stock options granted to them by EGT on 7 January 2010 at an exercise price of US\$0.29 per EGT's share. The 50,000 stock options held by each of Mr. Chung and Dr. Tyen may be exercised during the period from 8 July 2010 to 7 January 2020.
11. The personal interest of Mr. Chung Yuk Man, Clarence represents his derivative interests in EGT comprising the stock options granted to him by EGT on 22 January 2010 at an exercise price of US\$0.275 per EGT's share. The 500,000 stock options may be exercised during the period from 1 January 2011 to 22 January 2020.
12. The personal interest of Mr. Chung Yuk Man, Clarence represents his derivative interests in EGT comprising 472,727 shares of the restricted common stock granted to him on 22 January 2010 pursuant to EGT's 2008 Stock Incentive Plan. The 472,727 shares shall vest, subject to and upon Mr. Chung's achievement of 100% of the key performance index for Chief Executive Officer of EGT for the financial year ending 31 December 2010. The determination of the vesting or forfeiture of the shares shall be made by EGT's Compensation Committee on or before 30 April 2011.

Save as disclosed above, as at 31 December, 2010, none of the directors or chief executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2010, none of the directors of the Company or their respective associates had any competing interests in any business, which competes or may compete, either directly or indirectly with the businesses of the Company pursuant to the Listing Rules.

# REPORT OF THE DIRECTORS

## SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2010, the following persons/corporations had interests in five per cent or more of the issued share capital of the Company as recorded in the register required to be kept under Section 336 of the SFO. Details of the interests in the shares or underlying shares of the Company as notified to the Company are set out below:

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

| Name                             | Capacity                                    | Number of ordinary shares held/<br>approximate % of issued share capital |        |                    |       | Notes |
|----------------------------------|---|--|--------|--------------------|-------|-------|
|                                  |   | Long<br>Positions  | %      | Short<br>Positions | %     |       |
| Better Joy Overseas Ltd.         | Beneficial owner                            | 288,532,606  | 23.45% | –                  | –     | 2     |
| Lasting Legend Ltd.              | Beneficial owner                            | 115,509,024  | 9.39%  | –                  | –     | 2     |
| Mr. Ho, Lawrence Yau Lung        | Held by controlled corporations             | 411,335,630  | 33.43% | –                  | –     | 3     |
|                                  | Beneficial owner                            | 8,087,112  | 0.66%  | –                  | –     | –     |
| Ms. Lo Sau Yan, Sharen           | Family interest                             | 419,422,742  | 34.08% | –                  | –     | 4     |
| Janus Capital Management LLC     | Investment Manager                          | 123,792,000  | 10.06% | –                  | –     | –     |
| Deutsche Bank Aktiengesellschaft | Beneficial owner                            | 1,924,375  | 0.16%  | 1,691,672          | 0.14% | –     |
|                                  | Person having a security interest in shares | 30,997,741   | 2.52%  | 9,551,741          | 0.78% | –     |
|                                  | Custodian                                   | 127,813,325  | 10.39% | –                  | –     | 5     |

#### Notes:

- As at 31 December 2010, the total number of issued shares of the Company was 1,230,591,444.
- The shares held by Better Joy Overseas Ltd. and Lasting Legend Ltd. also represent the corporate interests of Mr. Ho, Lawrence Yau Lung in the Company.
- The 411,335,630 shares relate to the 115,509,024 shares, 288,532,606 shares and 7,294,000 shares held by Lasting Legend Ltd., Better Joy Overseas Ltd. and The L3G Capital Trust respectively, representing approximately 9.39%, 23.45% and 0.59% of the issued share capital of the Company. Lasting Legend Ltd., Better Joy Overseas Ltd. and The L3G Capital Trust are owned by persons and/or trusts associated with Mr. Ho, Lawrence Yau Lung. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung was deemed to be interested in the shares held by Lasting Legend Ltd., Better Joy Overseas Ltd. and The L3G Capital Trust.
- Ms. Lo Sau Yan, Sharen is the spouse of Mr. Ho, Lawrence Yau Lung and is deemed to be interested in the shares of the Company in which Mr. Ho, Lawrence Yau Lung is interested under the SFO.
- The 127,813,325 shares were held in lending pool.

# REPORT OF THE DIRECTORS

## SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY – continued

### (b) Convertible loan notes issued by the Company (Potential Shareholding)

| Name                      | Capacity                        | Number of underlying shares held | Approximate % of issued share capital | Note |
|---------------------------|---------------------------------|----------------------------------|---------------------------------------|------|
| Great Respect Limited     | Beneficial owner                | 298,982,188                      | 24.30%                                | 2    |
| Mr. Ho, Lawrence Yau Lung | Held by trust                   | 298,982,188                      | 24.30%                                | 2    |
| Ms. Lo Sau Yan, Sharen    | Held by trust                   | 298,982,188                      | 24.30%                                | 2    |
| Dr. Ho Hung Sun, Stanley  | Held by trust                   | 298,982,188                      | 24.30%                                | 2    |
| SG Trust (Asia) Ltd.      | Held by controlled corporations | 298,982,188                      | 24.30%                                | 2    |

*Notes:*

- As at 31 December 2010, the total number of issued shares of the Company was 1,230,591,444.
- Pursuant to an agreement dated 11 May 2005 entered into between Great Respect Limited, MCE Holdings Three Limited (formerly known as MPEL (Greater China) Limited) and the Company, convertible loan notes in the total principal amount of HK\$1,175,000,000 (the “Convertible Loan Notes”) were issued by the Company to Great Respect Limited on 5 September 2005 on the terms set out in the agreement. On 8 February 2010, the shareholders of the Company at the extraordinary general meeting have approved (1) the amendments to the terms of the Convertible Loan Notes (the “Amended Convertible Loan Notes”) pursuant to the deed of amendment dated 16 December 2009 entered into between the Company and Great Respect Limited and (2) a new whitewash waiver waiving the obligation of Great Respect Limited and Mr. Ho, Lawrence Yau Lung to make a mandatory general offer for the shares of the Company as a result of any and all future exercises of the conversion rights under the Amended Convertible Loan Notes pursuant to the provisions of Rule 26 of the Hong Kong Code on Takeovers and Mergers (the “Takeovers Code”). Hence, no offer under Rule 26 of the Takeovers Code will be made on full conversion of the Amended Convertible Loan Notes.

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

- Regarding the interests of Mr. Ho, Lawrence Yau Lung in other underlying shares of the Company (in respect of the share options and awarded shares granted by the Company), please refer to the section “Directors’ interests in shares, underlying shares and debentures” in this report.

Save as disclosed above, as at 31 December 2010, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

# REPORT OF THE DIRECTORS

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as for the share option scheme and the share award schemes disclosed in note 45 to the consolidated financial statements and the convertible loan note disclosed in note 40 to the consolidated financial statements, at no time during the year was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## **CONTINUING CONNECTED TRANSACTIONS**

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

### **(a) Transactions between Elixir and Firich**

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

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

Pursuant to the Design and Development Agreement, it was agreed that an annual cap for the total royalties to be payable by Firich to Elixir in relation to the non-exclusive license will not exceed HK\$10,000,000 for each of the years ended/ending 31 December 2008, 31 December 2009 and 31 December 2010. For the period from 1 January 2010 to 16 July 2010 (the date on which Elixir ceased to be a subsidiary of the Company), no transaction has taken place between Firich and Elixir under the Design and Development Agreement.

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

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

# REPORT OF THE DIRECTORS

## CONTINUING CONNECTED TRANSACTIONS – continued

### (b) Transactions between Elixir and SJM (the “SJM Transactions”) – continued

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

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

The aggregate value of each category of transactions between Elixir and SJM which took place during the period from 1 January 2010 to 16 July 2010 (the date on which Elixir ceased to be a subsidiary of the Company), is within the annual cap (which has been disclosed in the Company’s announcement dated 24 November 2008), details of which are shown below:

| Category  | Approximate<br>aggregate value<br>for the period<br>from 1 January 2010<br>to 16 July 2010<br>HK\$ | Annual cap<br>for the financial<br>year ended<br>31 December 2010<br>HK\$ |
|---|--|---|
| Provision of system integration services by Elixir to SJM and/or its subsidiaries | 27,574,000   | 75,000,000  |
| Provision of maintenance services by Elixir to SJM and/or its subsidiaries        | 4,695,000  | 25,000,000  |

In April 2010, the Group entered into an agreement to dispose of its 100% equity interest in Elixir to Brilliant Light Holding Company Limited at a consideration of HK\$352,000. The disposal was completed on 16 July 2010.

# REPORT OF THE DIRECTORS

## **CONTINUING CONNECTED TRANSACTIONS – continued**

### **(c) Annual Review of the Continuing Connected Transactions**

The Company has engaged the auditor of the Company to conduct a review of the SJM Transactions for the period from 1 January 2010 to 16 July 2010. The auditor has issued a letter to the board of directors (the “Board”) of the Company.

The independent non-executive directors of the Company have reviewed the SJM Transactions for the period from 1 January 2010 to 16 July 2010 and confirmed that the continuing connected transactions have been entered into:

- (1) in the ordinary and usual course of business of the Group;
- (2) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and
- (3) in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In addition, the auditor of the Company has confirmed to the Board in writing that the SJM Transactions for the period from 1 January 2010 to 16 July 2010:

- (1) were approved by the Company’s Board;
- (2) involving the provision of goods and services by the Group, were in accordance with the pricing policies of the Group;
- (3) were entered into in accordance with the relevant agreements governing the SJM Transactions; and
- (4) did not exceed the respective annual cap of the SJM Transactions as disclosed in the Company’s announcement dated 24 November 2008.

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

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

## **PUBLIC FLOAT**

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



# REPORT OF THE DIRECTORS

## CORPORATE GOVERNANCE

The Company is committed to maintaining a high corporate governance standard so as to ensure better transparency and protection of shareholders' interests. The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2010 except the code provision A.2.1 in respect of the separation of the roles of the Chairman and Chief Executive Officer and A.4.1 in respect of the appointment of non-executive directors for specific terms.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 56 to 69 of this annual report.

## EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme and two share incentive award schemes, as an incentive to directors and employees, details of the schemes are set out in note 45 to the consolidated financial statements.

## AUDIT COMMITTEE

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

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

## DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK\$1,882,000 (2009: HK\$2,196,000).

## AUDITOR

The financial statements of the Company for the year ended 31 December 2010 have been audited by Messrs. Deloitte Touche Tohmatsu, who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

**Ho, Lawrence Yau Lung**  
*Chairman and Chief Executive Officer*

Hong Kong, 31 March 2011

## INDEPENDENT AUDITOR'S REPORT

**TO THE MEMBERS OF MELCO INTERNATIONAL DEVELOPMENT LIMITED**

新濠國際發展有限公司

*(incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of Melco International Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 98 to 183, which comprise the consolidated and Company's statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**AUDITOR'S RESPONSIBILITY**

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

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

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

# INDEPENDENT AUDITOR'S REPORT

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
31 March 2011



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

|   | Notes | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|---|-------|------------------|------------------|
| <b>Continuing Operations</b>  |       |                  |                  |
| Revenue   | 7     | 125,166          | 128,898          |
| Other income  | 9     | 86,862           | 39,112           |
| Investment income   | 10    | 715              | 3,775            |
| Purchases and changes in inventories of finished goods                        |       | (28,308)         | (24,704)         |
| Employee benefits expense   | 11    | (94,962)         | (98,167)         |
| Depreciation of property, plant and equipment                                 |       | (8,837)          | (12,488)         |
| Impairment loss recognised in respect of available-for-sale investments       |       | –                | (2,574)          |
| Impairment loss recognised in respect of amount due from an associate         | 12    | (6,068)          | (189,506)        |
| Loss on deemed disposal of interests in associates                            | 25    | (33,085)         | (157,214)        |
| (Loss) gain on disposal of interest in an associate                           | 25    | (2,012)          | 33,516           |
| Fair value changes on derivative financial instruments                        | 33    | (34)             | (30)             |
| Fair value change on investment in convertible loan note                      | 28    | 14,414           | 75,410           |
| Other expenses  |       | (68,410)         | (66,059)         |
| Finance costs   | 13    | (106,799)        | (95,045)         |
| Share of loss of a jointly controlled entity                                  | 24    | (81,686)         | (190,227)        |
| Share of losses of associates   | 25    | (10,943)         | (896,601)        |
| Loss before tax   | 14    | (213,987)        | (1,451,904)      |
| Income tax credit   | 15    | 14,245           | –                |
| Loss for the year from continuing operations                                  |       | (199,742)        | (1,451,904)      |
| <b>Discontinued Operations</b>  |       |                  |                  |
| (Loss) profit for the year from discontinued operations                       | 16    | (8,866)          | 3,488            |
| Loss for the year   |       | (208,608)        | (1,448,416)      |
| <b>Other comprehensive income</b>   |       |                  |                  |
| Exchange differences arising on translation of foreign operations             |       | (17)             | 313              |
| Reclassification adjustment of exchange reserve upon disposal of a subsidiary |       | (70)             | –                |
| Fair value gain on available-for-sale investments                             |       | 1,426            | –                |
| Share of other comprehensive income of associates                             |       | 46,050           | 28,028           |
| Share of other comprehensive income of a jointly controlled entity            |       | –                | 175,050          |
| Other comprehensive income for the year                                       |       | 47,389           | 203,391          |
| Total comprehensive expense for the year                                      |       | (161,219)        | (1,245,025)      |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

|  | Notes | 2010<br>HK\$'000 | 2009<br>HK\$'000   |
|--|-------|------------------|--------------------|
| Loss for the year attributable to:                     |       |                  |                    |
| Owners of the Company                                  |       | (209,464)        | (1,449,685)        |
| Non-controlling interests                              |       | 856              | 1,269              |
|  |       | <u>(208,608)</u> | <u>(1,448,416)</u> |
| Total comprehensive expense attributable to:           |       |                  |                    |
| Owners of the Company                                  |       | (162,075)        | (1,246,294)        |
| Non-controlling interests                              |       | 856              | 1,269              |
|  |       | <u>(161,219)</u> | <u>(1,245,025)</u> |
| Loss per share – Basic and diluted                     | 20    |                  |                    |
| From continuing and discontinued operations (HK cents) |       | (17.04)          | (118.05)           |
| From continuing operations (HK cents)                  |       | <u>(16.32)</u>   | <u>(118.34)</u>    |

1910 2006 2004 2009 1996 1993 2005 2007 2002 1927 19

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

|  | Notes | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|--|-------|------------------|------------------|
| <b>Non-current assets</b>                              |       |                  |                  |
| Investment properties                                  | 21    | 166,000          | 166,000          |
| Property, plant and equipment                          | 22    | 22,850           | 32,524           |
| Other intangible assets                                | 23    | 5,700            | 2,000            |
| Interests in jointly controlled entities               | 24    | –                | –                |
| Interests in associates                                | 25    | 6,396,712        | 6,370,847        |
| Amounts due from associates                            | 34    | 627,195          | 627,321          |
| Available-for-sale investments                         | 27    | 10,255           | 8,829            |
| Investment in convertible loan note                    | 28    | 272,153          | 257,739          |
| Long term receivables                                  |       | –                | 4,000            |
| Goodwill   | 29    | –                | 4,113            |
|  |       | <b>7,500,865</b> | <b>7,473,373</b> |
| <b>Current assets</b>                                  |       |                  |                  |
| Inventories  | 30    | 2,489            | 6,581            |
| Trade receivables                                      | 31    | 5,629            | 62,530           |
| Prepayments, deposits and other receivables            |       | 32,159           | 91,512           |
| Held-for-trading investments                           | 32    | 610              | 300              |
| Derivative financial instruments                       | 33    | –                | 34               |
| Amounts due from associates                            | 34    | 23,082           | 34,827           |
| Pledged bank deposits                                  |       | 947              | 7,988            |
| Bank deposits with original maturity over three months | 36    | 629,363          | 707,024          |
| Bank balances and cash                                 | 36    | 145,536          | 153,754          |
|  |       | <b>839,815</b>   | <b>1,064,550</b> |
| <b>Current liabilities</b>                             |       |                  |                  |
| Trade payables   | 37    | 3,230            | 110,313          |
| Other payables   |       | 36,885           | 56,191           |
| Amounts due to associates                              | 34    | 10,372           | –                |
| Dividend payable                                       |       | 18,545           | 86               |
| Taxation payable                                       |       | 697              | 721              |
| Financial guarantee liability                          | 38    | 76,318           | 146,188          |
| Bank borrowings – due within one year                  | 39    | 14,980           | 166,400          |
| Convertible loan note – due within one year            | 40    | –                | 1,128,227        |
|  |       | <b>161,027</b>   | <b>1,608,126</b> |
| <b>Net current assets (liabilities)</b>                |       | <b>678,788</b>   | <b>(543,576)</b> |
| <b>Total assets less current liabilities</b>           |       | <b>8,179,653</b> | <b>6,929,797</b> |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

|  | Notes | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|--|-------|------------------|------------------|
| <b>Non-current liabilities</b>               |       |                  |                  |
| Deferred tax liabilities                     | 42    | 54,522           | –                |
| Bank borrowings – due after one year         | 39    | 254,190          | 50,200           |
| Long term payable                            | 41    | 170,537          | 170,537          |
| Convertible loan note – due after one year   | 40    | 844,562          | –                |
|  |       | <u>1,323,811</u> | <u>220,737</u>   |
|  |       | <u>6,855,842</u> | <u>6,709,060</u> |
| <b>Capital and reserves</b>                  |       |                  |                  |
| Share capital                                | 43    | 615,296          | 615,130          |
| Reserves                                     |       | 6,212,655        | 6,066,626        |
|  |       | <u>6,827,951</u> | <u>6,681,756</u> |
| Equity attributable to owners of the Company |       | 6,827,951        | 6,681,756        |
| Non-controlling interests                    |       | 27,891           | 27,304           |
|  |       | <u>6,855,842</u> | <u>6,709,060</u> |

The consolidated financial statements on pages 98 to 183 were approved and authorised for issue by the Board of Directors on 31 March 2011 and are signed on its behalf by:

**Ho, Lawrence Yau Lung**  
DIRECTOR

**Tsui Che Yin, Frank**  
DIRECTOR

## STATEMENT OF FINANCIAL POSITION

At 31 December 2010

|   | Notes | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|---|-------|------------------|------------------|
| <b>Non-current assets</b>                                 |       |                  |                  |
| Investment in subsidiaries                                | 26    | 1,151,613        | 1,088,346        |
| Other intangible assets                                   | 23    | 5,700            | 2,000            |
| Amounts due from subsidiaries                             | 35    | 3,607,936        | 3,521,716        |
|   |       | <u>4,765,249</u> | <u>4,612,062</u> |
| <b>Current assets</b>                                     |       |                  |                  |
| Prepayments, deposits and other receivables               |       | 12,856           | 12,901           |
| Amounts due from associates                               | 34    | –                | 19               |
| Amounts due from subsidiaries                             | 35    | 60,761           | 80,569           |
| Bank deposits with original maturity of over three months | 36    | 603,707          | 689,198          |
| Bank balances and cash                                    | 36    | 49,566           | 24,346           |
|   |       | <u>726,890</u>   | <u>807,033</u>   |
| <b>Current liabilities</b>                                |       |                  |                  |
| Accrual   |       | 4,221            | 15,865           |
| Amounts due to associates                                 | 34    | 419              | 584              |
| Amounts due to subsidiaries                               | 35    | 273,900          | 227,973          |
| Dividend payable  |       | 18,545           | 86               |
| Financial guarantee liability                             | 38    | 76,318           | 146,188          |
| Bank borrowings – due within one year                     | 39    | –                | 150,000          |
| Convertible loan note – due within one year               | 40    | –                | 1,128,227        |
|   |       | <u>373,403</u>   | <u>1,668,923</u> |
| <b>Net current assets (liabilities)</b>                   |       | <u>353,487</u>   | <u>(861,890)</u> |
| <b>Total assets less current liabilities</b>              |       | <u>5,118,736</u> | <u>3,750,172</u> |
| <b>Non-current liabilities</b>                            |       |                  |                  |
| Deferred tax liabilities                                  | 42    | 54,522           | –                |
| Amount due to a subsidiary                                | 35    | –                | 40,200           |
| Bank borrowings – due after one year                      | 39    | 200,000          | –                |
| Convertible loan note – due after one year                | 40    | 844,562          | –                |
|   |       | <u>1,099,084</u> | <u>40,200</u>    |
|   |       | <u>4,019,652</u> | <u>3,709,972</u> |
| <b>Capital and reserves</b>                               |       |                  |                  |
| Share capital   | 43    | 615,296          | 615,130          |
| Reserves  | 44    | 3,404,356        | 3,094,842        |
|   |       | <u>4,019,652</u> | <u>3,709,972</u> |

Ho, Lawrence Yau Lung  
DIRECTOR

Tsui Che Yin, Frank  
DIRECTOR



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

|   | Attributable to the owners of the Company |                           |   |   |   |  |                                       |                              |                                       |                                   |   |                                  |                                       |                              |                   |                                       |                   |
|---|---|---------------------------|---|---|---|--|---------------------------------------|------------------------------|---------------------------------------|-----------------------------------|---|----------------------------------|---------------------------------------|------------------------------|-------------------|---------------------------------------|-------------------|
|   | Share capital<br>HK\$'000                 | Share premium<br>HK\$'000 | Capital reserve<br>HK\$'000<br>(Note 1) | Special reserve<br>HK\$'000<br>(Note 2) | Convertible loan equity reserve<br>HK\$'000 | Property revaluation reserve<br>HK\$'000 | Other revaluation reserve<br>HK\$'000 | Exchange reserve<br>HK\$'000 | Legal reserve<br>HK\$'000<br>(Note 3) | Share options reserve<br>HK\$'000 | Shares held under share award schemes<br>HK\$'000 | Share awards reserve<br>HK\$'000 | Other reserve<br>HK\$'000<br>(Note 4) | Retained profits<br>HK\$'000 | Total<br>HK\$'000 | Non-controlling interests<br>HK\$'000 | Total<br>HK\$'000 |
| At 1 January 2009   | 614,666                                   | 3,131,442                 | 271,463                                 | (69,950)                                | 307,253                                     | 5,796                                    | 28,948                                | (8,183)                      | 254                                   | 32,638                            | (21,088)  | 4,138                            | (103,794)                             | 3,705,922                    | 7,899,505         | 26,035                                | 7,925,540         |
| Exchange difference arising on translation of foreign operations  | -   | -                         | -                                       | -                                       | -   | -  | -                                     | 313                          | -                                     | -                                 | -   | -                                | -                                     | -                            | 313               | -                                     | 313               |
| Share of reserves of associates   | -   | -                         | -                                       | -                                       | -   | -  | -                                     | 11,426                       | -                                     | -                                 | -   | -                                | 16,602                                | -                            | 28,028            | -                                     | 28,028            |
| Share of fair value gain on available-for-sale investments of a jointly controlled entity (note 24)                   | -   | -                         | -                                       | -                                       | -   | -  | 175,050                               | -                            | -                                     | -                                 | -   | -                                | -                                     | -                            | 175,050           | -                                     | 175,050           |
| Other comprehensive income for the year   | -   | -                         | -                                       | -                                       | -   | -  | 175,050                               | 11,739                       | -                                     | -                                 | -   | -                                | 16,602                                | -                            | 203,391           | -                                     | 203,391           |
| Loss for the year   | -   | -                         | -                                       | -                                       | -   | -  | -                                     | -                            | -                                     | -                                 | -   | -                                | -                                     | (1,449,685)                  | (1,449,685)       | 1,269                                 | (1,448,416)       |
| Total comprehensive income (expense) for the year   | -   | -                         | -                                       | -                                       | -   | -  | 175,050                               | 11,739                       | -                                     | -                                 | -   | -                                | 16,602                                | (1,449,685)                  | (1,246,294)       | 1,269                                 | (1,245,025)       |
| Exercise of share options   | 244                                       | 740                       | -                                       | -                                       | -   | -  | -                                     | -                            | -                                     | -                                 | -   | -                                | -                                     | -                            | 984               | -                                     | 984               |
| Recognition of equity-settled share based payments  | -   | -                         | -                                       | -                                       | -   | -  | -                                     | -                            | -                                     | 14,744                            | -   | 4,683                            | -                                     | -                            | 19,427            | -                                     | 19,427            |
| Transfer to share premium upon exercise of share options  | -   | 561                       | -                                       | -                                       | -   | -  | -                                     | -                            | -                                     | (561)                             | -   | -                                | -                                     | -                            | -                 | -                                     | -                 |
| Transfer of share option reserve upon expiry of share options   | -   | -                         | -                                       | -                                       | -   | -  | -                                     | -                            | -                                     | (244)                             | -   | -                                | -                                     | 244                          | -                 | -                                     | -                 |
| Shares issued under share award schemes   | 220                                       | -                         | -                                       | -                                       | -   | -  | -                                     | -                            | -                                     | (220)                             | -   | -                                | -                                     | -                            | -                 | -                                     | -                 |
| Shares vested under share award schemes   | -   | -                         | -                                       | -                                       | -   | -  | -                                     | -                            | -                                     | -                                 | 8,057   | (4,787)                          | -                                     | (3,270)                      | -                 | -                                     | -                 |
| Realisation of special reserve and other revaluation reserve upon deemed disposal of partial interest in an associate | -   | -                         | -                                       | 8,134                                   | -   | -  | (3,367)                               | -                            | -                                     | -                                 | -   | -                                | -                                     | 3,367                        | 8,134             | -                                     | 8,134             |
|   | 464                                       | 1,301                     | -                                       | 8,134                                   | -   | -  | (3,367)                               | -                            | -                                     | 13,939                            | 7,837   | (104)                            | -                                     | 341                          | 28,545            | -                                     | 28,545            |
| At 31 December 2009   | 615,130                                   | 3,132,743                 | 271,463                                 | (61,816)                                | 307,253                                     | 5,796                                    | 200,631                               | 3,556                        | 254                                   | 46,577                            | (13,251)  | 4,034                            | (87,192)                              | 2,256,578                    | 6,681,756         | 27,304                                | 6,709,060         |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

|   | Attributable to the owners of the Company |                           |   |   |  |  |                                       |                              |                                       |                                   |   |                                  |                                       |                              |                   |                                       |                   |
|---|---|---------------------------|---|---|--|--|---------------------------------------|------------------------------|---------------------------------------|-----------------------------------|---|----------------------------------|---------------------------------------|------------------------------|-------------------|---------------------------------------|-------------------|
|   | Share capital<br>HK\$'000                 | Share premium<br>HK\$'000 | Capital reserve<br>HK\$'000<br>(Note 1) | Special reserve<br>HK\$'000<br>(Note 2) | Convertible loan note equity reserve<br>HK\$'000 | Property revaluation reserve<br>HK\$'000 | Other revaluation reserve<br>HK\$'000 | Exchange reserve<br>HK\$'000 | Legal reserve<br>HK\$'000<br>(Note 3) | Share options reserve<br>HK\$'000 | Shares held under share award schemes<br>HK\$'000 | Share awards reserve<br>HK\$'000 | Other reserve<br>HK\$'000<br>(Note 4) | Retained profits<br>HK\$'000 | Total<br>HK\$'000 | Non-controlling interests<br>HK\$'000 | Total<br>HK\$'000 |
| At 1 January 2010   | 615,130                                   | 3,132,743                 | 271,463                                 | (61,816)                                | 307,253  | 5,796                                    | 200,631                               | 3,556                        | 254                                   | 46,577                            | (13,251)  | 4,034                            | (87,192)                              | 2,256,578                    | 6,681,756         | 27,304                                | 6,709,060         |
| Exchange difference arising on translation of foreign operations  | -   | -                         | -                                       | -                                       | -  | -  | -                                     | (17)                         | -                                     | -                                 | -   | -                                | -                                     | -                            | (17)              | -                                     | (17)              |
| Reclassification adjustment of exchange reserve upon disposal of subsidiaries   | -   | -                         | -                                       | -                                       | -  | -  | -                                     | (70)                         | -                                     | -                                 | -   | -                                | -                                     | -                            | (70)              | -                                     | (70)              |
| Share of reserves of associates   | -   | -                         | -                                       | -                                       | -  | -  | -                                     | -                            | -                                     | -                                 | -   | -                                | 46,050                                | -                            | 46,050            | -                                     | 46,050            |
| Fair value gain on available-for-sale investments (note 27)   | -   | -                         | -                                       | -                                       | -  | -  | 1,426                                 | -                            | -                                     | -                                 | -   | -                                | -                                     | -                            | 1,426             | -                                     | 1,426             |
| Other comprehensive income (expense) for the year   | -   | -                         | -                                       | -                                       | -  | -  | 1,426                                 | (87)                         | -                                     | -                                 | -   | -                                | 46,050                                | -                            | 47,389            | -                                     | 47,389            |
| Loss for the year   | -   | -                         | -                                       | -                                       | -  | -  | -                                     | -                            | -                                     | -                                 | -   | -                                | -                                     | (209,464)                    | (209,464)         | 856                                   | (208,608)         |
| Total comprehensive income (expense) for the year   | -   | -                         | -                                       | -                                       | -  | -  | 1,426                                 | (87)                         | -                                     | -                                 | -   | -                                | 46,050                                | (209,464)                    | (162,075)         | 856                                   | (161,219)         |
| Exercise of share options   | 166                                       | 608                       | -                                       | -                                       | -  | -  | -                                     | -                            | -                                     | -                                 | -   | -                                | -                                     | -                            | 774               | -                                     | 774               |
| Release of convertible loan note equity reserve upon amendment  | -   | -                         | -                                       | -                                       | (307,253)  | -  | -                                     | -                            | -                                     | -                                 | -   | -                                | -                                     | 294,306                      | (12,947)          | -                                     | (12,947)          |
| Recognition of equity component of convertible loan note  | -   | -                         | -                                       | -                                       | 392,585  | -  | -                                     | -                            | -                                     | -                                 | -   | -                                | -                                     | -                            | 392,585           | -                                     | 392,585           |
| Deferred tax liability on recognition of equity component of convertible loan note                                    | -   | -                         | -                                       | -                                       | (68,767)   | -  | -                                     | -                            | -                                     | -                                 | -   | -                                | -                                     | -                            | (68,767)          | -                                     | (68,767)          |
| Transfer of legal reserve upon disposal of a subsidiary   | -   | -                         | -                                       | -                                       | -  | -  | -                                     | -                            | (254)                                 | -                                 | -   | -                                | -                                     | 254                          | -                 | -                                     | -                 |
| Recognition of equity-settled share based payments  | -   | -                         | -                                       | -                                       | -  | -  | -                                     | -                            | -                                     | 14,033                            | -   | 940                              | -                                     | -                            | 14,973            | -                                     | 14,973            |
| Transfer to share premium upon exercise of share options  | -   | 457                       | -                                       | -                                       | -  | -  | -                                     | -                            | -                                     | (457)                             | -   | -                                | -                                     | -                            | -                 | -                                     | -                 |
| Transfer of share option reserve upon expiry of share options and shares awards                                       | -   | -                         | -                                       | -                                       | -  | -  | -                                     | -                            | -                                     | (399)                             | -   | (38)                             | -                                     | 437                          | -                 | -                                     | -                 |
| Shares vested under share award schemes   | -   | -                         | -                                       | -                                       | -  | -  | -                                     | -                            | -                                     | -                                 | 6,291   | (4,276)                          | -                                     | (2,015)                      | -                 | -                                     | -                 |
| Dividend paid to non-controlling shareholders   | -   | -                         | -                                       | -                                       | -  | -  | -                                     | -                            | -                                     | -                                 | -   | -                                | -                                     | -                            | -                 | (269)                                 | (269)             |
| Dividend recognised as distribution (note 19)   | -   | -                         | (18,459)                                | -                                       | -  | -  | -                                     | -                            | -                                     | -                                 | -   | -                                | -                                     | -                            | (18,459)          | -                                     | (18,459)          |
| Realisation of special reserve and other revaluation reserve upon deemed disposal of partial interest in an associate | -   | -                         | -                                       | 111                                     | -  | -  | (46)                                  | -                            | -                                     | -                                 | -   | -                                | -                                     | 46                           | 111               | -                                     | 111               |
|   | 166                                       | 1,065                     | (18,459)                                | 111                                     | 16,565   | -  | (46)                                  | -                            | (254)                                 | 13,177                            | 6,291   | (3,374)                          | -                                     | 293,028                      | 308,270           | (269)                                 | 308,001           |
| At 31 December 2010   | 615,296                                   | 3,133,808                 | 253,004                                 | (61,705)                                | 323,818  | 5,796                                    | 202,011                               | 3,469                        | -                                     | 59,754                            | (6,960)   | 660                              | (41,142)                              | 2,340,142                    | 6,827,951         | 27,891                                | 6,855,842         |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

- Note 1: Pursuant to a scheme of capital reduction, which became effective on 29 June 1993, the Supreme Court of Hong Kong approved the cancellation of the Company's share premium account which, on that date, was stated at HK\$127,274,212. By virtue of the same court's sanction, the issued and fully paid share capital of the Company was also reduced by HK\$230,510,521 through a reduction in the nominal value of the share capital of the Company. The credits arising from the cancellation of the share premium account and the reduction of the share capital account, in the aggregate amount of HK\$357,784,733 were transferred to a capital reserve account. The capital reserve account is distributable to the shareholders of the Company if there is no outstanding debt or claim against the Company which was in existence on the effective date of the capital reduction. In view of the fact that the Company receives no claim, demand, action or proceedings in respect of any such debt or claim since June 1993 and in view of the fact that any such debt or claim has been statute-barred under Hong Kong law and irrecoverable against the Company, the Company is of the view that the reserve is distributable to the Company's shareholders.*
- Note 2: The special reserve represents the difference between the consideration paid and the goodwill and the carrying values of the underlying assets and liabilities attributable to the additional interest in a former subsidiary, which subsequently become an associate of the Group, acquired in previous years.*
- Note 3: All entities incorporated in Macau are required to set aside a minimum of 10% of the entity's profit after taxation to the legal reserve until the balance of the legal reserve reaches a level equivalent to 50% of the entity's share capital in accordance with the provisions of the Macau Commercial Code. Such legal reserve represents an amount set aside from the retained profits and is not available for distribution to the shareholders of the entity. The appropriation of legal reserve is recorded in financial statements in the period in which it is approved by the board.*
- Note 4: The other reserve represents the share of an associate's hedging reserve.*



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

|   | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|---|------------------|------------------|
| <b>OPERATING ACTIVITIES</b>   |                  |                  |
| Loss before tax   | (222,853)        | (1,447,814)      |
| Adjustments for:  |                  |                  |
| Gain on extension of long term payable                                  | (6,655)          | (8,010)          |
| Gain from fair value change of held-for-trading investments             | (310)            | (150)            |
| Release of financial guarantee liability                                | (69,870)         | (20,837)         |
| Dividend income   | (405)            | (3,625)          |
| Depreciation of property, plant and equipment                           | 9,862            | 14,657           |
| Loss on disposal of a subsidiary  | 3,473            | 1,804            |
| Loss on disposal of available-for-sale investments                      | –                | 1,172            |
| Impairment loss recognised in respect of available-for-sale investments | –                | 2,574            |
| Impairment loss recognised in respect of amount due from an associate   | 6,068            | 189,506          |
| Loss on deemed disposal of interests in associates                      | 33,085           | 157,214          |
| Loss (gain) on disposal of interest in an associate                     | 2,012            | (33,516)         |
| Fair value changes on derivative financial instruments                  | 34               | 30               |
| Fair value change on investment in convertible loan note                | (14,414)         | (75,410)         |
| Allowance for doubtful debts  | 871              | 2,020            |
| Allowance for inventories   | 3,723            | 22,363           |
| Share-based payment expense   | 14,973           | 19,427           |
| Loss on disposal of property, plant and equipment                       | 167              | 1,605            |
| Share of loss of a jointly controlled entity                            | 81,686           | 190,227          |
| Share of losses of associates   | 10,943           | 896,601          |
| Finance costs   | 107,529          | 99,413           |
| Operating cash flows before movements in working capital                | (40,081)         | 9,251            |
| (Increase) decrease in inventories                                      | (4,120)          | 26,743           |
| Decrease (increase) in trade receivables                                | 27,719           | (14,107)         |
| Decrease in prepayments, deposits and other receivables                 | 33,653           | 143,542          |
| Decrease in amounts due from associates                                 | 431              | 53,165           |
| Increase in amounts due to associates                                   | 10,372           | –                |
| Decrease in trade payables  | (86,924)         | (271,589)        |
| Increase (decrease) in other payables                                   | 36,368           | (64,409)         |
| Net cash used in operations   | (22,582)         | (117,404)        |
| Income tax refunded   | 58               | –                |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>                            | <b>(22,524)</b>  | <b>(117,404)</b> |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

|  | Note | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|--|------|------------------|------------------|
| <b>INVESTING ACTIVITIES</b>  |      |                  |                  |
| Placement of bank deposits with original maturity over three months                            |      | (629,363)        | (707,024)        |
| Investment in a jointly controlled entity  |      | (81,686)         | –                |
| Investments in associates  |      | (24,673)         | –                |
| Cash outflow from disposal of a subsidiary   | 46   | (18,803)         | (8,819)          |
| Purchase of intangible assets  |      | (3,700)          | –                |
| Purchase of property, plant and equipment  |      | (799)            | (7,302)          |
| Receipt of bank deposits with original maturity over three months upon maturity                |      | 707,024          | 164,896          |
| Receipt of consideration receivable from disposal of a subsidiary                              |      | 8,000            | –                |
| Repayment of amounts due from associates   |      | 5,347            | 22,603           |
| Proceeds from disposal of an associate   |      | 3,000            | 302,634          |
| Receipt of pledged bank deposits   |      | 1,250            | 971,250          |
| Dividend received  |      | 405              | 3,625            |
| Proceeds from disposal of property, plant and equipment  |      | 130              | 181              |
| Capital contribution to a jointly controlled entity  |      | –                | (350,100)        |
| Subscription of convertible bond of an associate   |      | –                | (13,756)         |
| Subscription of shares of an associate   |      | –                | (965)            |
| Proceeds from disposal of available-for-sale investments                                       |      | –                | 26,518           |
| <b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>  |      | <b>(33,868)</b>  | <b>403,741</b>   |
| <b>FINANCING ACTIVITIES</b>  |      |                  |                  |
| Bank borrowings raised   |      | 110,000          | –                |
| Proceeds from exercise of share options  |      | 774              | 984              |
| Repayments of bank borrowings  |      | (57,430)         | (96,400)         |
| Interest paid  |      | (4,901)          | (26,995)         |
| Dividend paid to non-controlling shareholders  |      | (269)            | –                |
| Advance from a shareholder   |      | –                | 300,000          |
| Repayment to a shareholder   |      | –                | (550,000)        |
| Dividend paid  |      | –                | (47)             |
| <b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>  |      | <b>48,174</b>    | <b>(372,458)</b> |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>   |      | <b>(8,218)</b>   | <b>(86,121)</b>  |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>                                  |      | <b>153,754</b>   | <b>239,875</b>   |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash</b> |      | <b>145,536</b>   | <b>153,754</b>   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 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 of 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 two divisions, namely (i) Leisure and Entertainment division; and (ii) Property and Other Investments division.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

In the current year, the Group and the Company have applied a number of new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for 2010 financial year ends.

Except as described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

### **Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2009)**

The amendments to HKAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.

The amendments to HKAS 1 has had no effect on the amounts reported as the Group and the Company have classified the liability component of convertible loan note as non-current based on when cash settlement is required to be made in prior years.

### **Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause**

Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* ("HK Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ('repayment on demand clause') should be classified by the borrower as current liabilities. The Group and the Company have applied HK Int 5 for the first time in the current year. HK Int 5 requires retrospective application.

Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities. The application of HK Int 5 has had no impact on the amounts reported in the current and prior years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”) – continued

### New and revised Standards and Interpretations issued but not yet effective

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

|                                    |  |
|------------------------------------|--|
| HKFRSs (Amendments)                | Improvements to HKFRSs issued in 2010 <sup>1</sup>                       |
| HKFRS 7 (Amendments)               | Disclosures – Transfers of Financial Assets <sup>3</sup>                 |
| HKFRS 9                            | Financial Instruments <sup>4</sup>                                       |
| HKAS 12 (Amendments)               | Deferred Tax: Recovery of Underlying Assets <sup>5</sup>                 |
| HKAS 24 (as revised in 2009)       | Related Party Disclosures <sup>6</sup>                                   |
| HKAS 32 (Amendments)               | Classification of Rights Issues <sup>7</sup>                             |
| HK(IFRIC) – Int 14<br>(Amendments) | Prepayments of a Minimum Funding Requirement <sup>6</sup>                |
| HK(IFRIC) – Int 19                 | Extinguishing Financial Liabilities with Equity Instruments <sup>2</sup> |

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2010.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2011.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2012.

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2011.

<sup>7</sup> Effective for annual periods beginning on or after 1 February 2010.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”) – continued

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 will be adopted in the Group’s consolidated financial statements for financial year ending 31 December 2013 and the application of the new Standard may affect the classification and measurement of the Group’s and the Company’s financial assets.

The amendments to HKAS 12 titled *Deferred Tax: Recovery of Underlying Assets* mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property*. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 may have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model. However, it is not practicable to provide a reasonable estimate of that effect until a detail review is completed.

HKAS 24 *Related Party Disclosures* (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group and the Company because the Group and the Company are not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties who did not previously meet the definition of a related party may come within the scope of the Standard.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Basis of consolidation

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

### Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

### Business combinations

#### Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Business combinations – continued

#### Business combinations that took place on or after 1 January 2010 – continued

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

#### Business combinations that took place prior to 1 January 2010

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Goodwill

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

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

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

### Investment in subsidiaries

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

### Jointly controlled entities

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

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements of the Group using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. 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. Additional losses are 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 cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Jointly controlled entities – continued

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36

*Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

From 1 January 2010 onwards, upon disposal of a jointly controlled entity that results in the Group losing joint control over that jointly controlled entity, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that jointly controlled entity on the same basis as would be required if that jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that jointly controlled entity would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses joint control over that jointly controlled entity.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

### Investments in associates

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

The results and assets and liabilities of associates are incorporated in the consolidated financial statements of the Group using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associates. 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. Additional losses are 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 and liabilities of the associates recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Investments in associates – continued

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

From 1 January 2010 onwards, upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group consolidated financial statements only to the extent of interest in the associate that are not related to the Group.

### Revenue recognition

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

Revenue from the sales of goods is recognized when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measure reliably.

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Revenue recognition – continued

Interest income from a financial asset is recognised when it is probable that the economic benefit will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

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

### Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 disposal or retirement of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties included land held for undetermined future use, which is regarded as held for capital appreciation purpose.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Leasing

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

### The Group as lessor

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

### The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

### Foreign currencies

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

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

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

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Foreign currencies – continued

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 retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange reserve.

### Retirement benefits costs

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

### Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those 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 associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Inventories

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

### Share-based payment transactions

#### Equity settled share-based payment transactions

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

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

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

### Intangible assets

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Financial instruments

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

### Effective interest method

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

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

### Financial assets

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

#### *Financial assets at FVTPL*

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

A financial asset is classified as held for trading if:

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Financial instruments – continued

#### Financial assets – continued

##### *Financial assets at FVTPL – continued*

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

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

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

##### *Loans and receivables*

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

##### *Available-for-sale financial assets*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Financial instruments – continued

#### Financial assets – continued

#### Impairment of financial assets

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

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

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

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 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.

#### Effective interest method

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

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

#### Convertible loan note

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Financial instruments – continued

#### Financial liabilities and equity – continued

##### *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 and long term payable are subsequently measured at amortised cost, using the effective interest method.

##### *Equity instruments*

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

#### Derivative financial instruments

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

#### Embedded derivatives

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

#### Financial guarantee contracts

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

#### Derecognition

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

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

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

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

### **Borrowing costs**

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

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

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

### **Estimated impairment of trade receivables and amounts due from associates**

When there is an objective evidence of impairment loss, the Group and the Company take into consideration the estimation of 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.

### **Fair value of convertible loan note, investment in convertible loan note and derivatives**

As described in notes 28, 33 and 40, the directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For valuation of derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

### Estimated impairment of interests in associates

Determining the impairment loss in respect of interests in associates requires an estimation of the recoverable amount of the interests in associates. The recoverable amount requires the Group to estimate the future cash flows expected to arise from the associates and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2010, the interests in associates amounting to approximately HK\$6,396,712,000 (net of accumulated impairment loss of HK\$1,160,838,000).

## 5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group and the Company consists of net debt, which includes the bank borrowings, convertible loan note and long term payable disclosed in notes 39, 40 and 41, respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

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

## 6. FINANCIAL INSTRUMENTS

### 6a. Categories of financial instruments

|   | THE GROUP        |                  |
|---|------------------|------------------|
|   | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| <b>Financial assets</b>                                     |                  |                  |
| Fair value through profit or loss                           |                  |                  |
| – Held for trading  | 610              | 334              |
| – Designated as fair value through profit or loss           | 272,153          | 257,739          |
| Loans and receivables (including cash and cash equivalents) | 1,432,787        | 1,623,804        |
| Available-for-sale financial assets                         | 10,255           | 8,829            |
| <b>Financial liabilities</b>                                |                  |                  |
| Amortised cost  | 1,330,037        | 1,636,034        |
| Financial guarantee liability                               | 76,318           | 146,188          |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 6. FINANCIAL INSTRUMENTS – continued

### 6a. Categories of financial instruments – continued

|   | THE COMPANY      |                  |
|---|------------------|------------------|
|   | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| <b>Financial assets</b>                                     |                  |                  |
| Loans and receivables (including cash and cash equivalents) | 4,321,970        | 4,543,708        |
| <b>Financial liabilities</b>                                |                  |                  |
| Amortised cost  | 1,337,426        | 1,547,070        |
| Financial guarantee liability                               | 76,318           | 146,188          |

### 6b. Financial risk management objectives and policies

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

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

#### Market risk

##### (i) Currency risk

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 6. FINANCIAL INSTRUMENTS – continued

### 6b. Financial risk management objectives and policies – continued

#### Market risk – continued

#### (i) Currency risk – continued

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

|                              | THE GROUP        |                  |                  |                  |
|------------------------------|------------------|------------------|------------------|------------------|
|                              | Liabilities      |                  | Assets           |                  |
|                              | 2010<br>HK\$'000 | 2009<br>HK\$'000 | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| United States dollar ("USD") | (4,965)          | (143,771)        | 529,103          | 716,648          |
| Macau Patacas ("MOP")        | (1,797)          | (46,060)         | 970              | 35,948           |
| Renminbi ("RMB")             | (13,364)         | (58)             | 26,611           | 24,290           |

|     | THE COMPANY      |                  |                  |                  |
|-----|------------------|------------------|------------------|------------------|
|     | Liabilities      |                  | Assets           |                  |
|     | 2010<br>HK\$'000 | 2009<br>HK\$'000 | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| USD | (41,893)         | (121,809)        | 1,295,075        | 1,342,955        |

#### Sensitivity analysis

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 6. FINANCIAL INSTRUMENTS – continued

### 6b. Financial risk management objectives and policies – continued

#### Market risk – continued

#### (i) Currency risk – continued

#### Sensitivity analysis – continued

|                            | THE GROUP        |                  |                  |                  |                  |                  |
|----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                            | USD Impact (i)   |                  | MOP Impact (ii)  |                  | RMB Impact (iii) |                  |
|                            | 2010<br>HK\$'000 | 2009<br>HK\$'000 | 2010<br>HK\$'000 | 2009<br>HK\$'000 | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| (Loss) income for the year | (5,241)          | (5,729)          | 8                | 101              | (132)            | (242)            |

|                   | THE COMPANY<br>USD Impact (i) |                  |
|-------------------|-------------------------------|------------------|
|                   | 2010<br>HK\$'000              | 2009<br>HK\$'000 |
| Loss for the year | (12,532)                      | (12,211)         |

- (i) This is mainly attributable to the exposure on outstanding USD bank deposits and payables at the year end in the Group and the Company.
- (ii) This is mainly attributable to the exposure on outstanding MOP receivables, bank deposits and payables at the year end in the Group.
- (iii) This is mainly attributable to the exposure on outstanding RMB bank deposits at the year end in the Group.
- (ii) *Interest rate risk*

The Group and the Company are exposed to fair value interest rate risk in relation to amounts due from associates, pledged bank deposits, bank deposits with original maturity over three months, bank balances, convertible loan note and long term payable which carried interest at fixed rate (see Notes 34, 36, 40 and 41 for details of these borrowings). The Group and the Company currently do not enter into any hedging instrument for fair value interest rate risk.

The Group and the Company are exposed to cash flow interest rate risk in relation to variable-rate amounts due from associates and subsidiaries and bank borrowings (see Notes 34, 35, and 39 for details of these borrowings). It is the Group's and Company's policy to keep its receivables and borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 6. FINANCIAL INSTRUMENTS – continued

### 6b. Financial risk management objectives and policies – continued

#### Market risk – continued

#### (ii) Interest rate risk – continued

##### Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2010 would decrease/increase by approximately HK\$2,370,000 (2009: HK\$2,335,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate amounts due from associates and bank borrowings.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's loss for the year ended 31 December 2010 would decrease/increase by approximately HK\$17,168,000 (2009: HK\$16,868,000). This is mainly attributable to the Company's exposure to interest rates on its variable-rate amounts due from subsidiaries and bank borrowings.

The Group's and Company's sensitivity to interest rates for current year are similar to last year.

#### (iii) Other price risk

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

##### Sensitivity analysis

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

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

- post-tax loss for the year ended 31 December 2010 would decrease/increase by HK\$1,311,000 (2009: HK\$7,874,000) as a result of the changes in fair value of investment in convertible loan note (2009: convertible loan note and available-for-sale investments);
- post-tax loss for the year ended 31 December 2010 would decrease/increase by HK\$31,000 (2009: HK\$17,000) as a result of the changes in fair value of held-for-trading investments; and
- other comprehensive income would increase/decrease by HK\$513,000 (2009: Nil) as a result of the changes in fair value of available-for-sale investments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 6. FINANCIAL INSTRUMENTS – continued

### 6b. Financial risk management objectives and policies – continued

#### Credit risk

As at 31 December 2010, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company is arising from:

- the carrying amount of the respective recognised financial assets as stated in the statement of financial position; and
- the amount of contingent liabilities and financial guarantee liability in relation to guarantee issued by the Group and the Company as disclosed in notes 49 and 38, respectively.

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

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

The Group's concentration of credit risk by geographical location is mainly in Hong Kong. The Group's significant concentration of credit risk is mainly on the investment in convertible loan note and amount due from an associate, Melco Crown Entertainment Limited ("Melco Crown Entertainment"), the Group determines the credit risk involved is satisfactorily reduced after taking into consideration the financial position of these associates.

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

The Group and the Company also expose to concentration of credit risk in respect of the Exchangeable Bonds issued by a jointly controlled entity (note 38), which are jointly and severally guaranteed by the Company and another shareholder of the jointly controlled entity. As at 31 December 2010, the Group and the Company recognised a financial guarantee liability of approximately HK\$76,318,000 as disclosed in note 38.

#### Liquidity risk

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

The Group and the Company rely on bank borrowings as a significant source of liquidity. Details of which are set out in note 39. As at 31 December 2010, the Company and the Group have available bank loan facilities of HK\$292,170,000 (2009: HK\$216,600,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 6. FINANCIAL INSTRUMENTS – continued

### 6b. Financial risk management objectives and policies – continued

#### Liquidity risk – continued

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

#### Liquidity and interest risk tables

##### THE GROUP

|   | Weighted<br>average<br>interest rate | Less than<br>1 month<br>HK\$'000 | 1-3<br>months<br>HK\$'000 | 3 months<br>to 1 year<br>HK\$'000 | 1-2<br>years<br>HK\$'000 | 2-5<br>years<br>HK\$'000 | Over<br>5 years<br>HK\$'000 | Total<br>undiscounted<br>cash<br>flows<br>HK\$'000 | Carrying<br>amount<br>at<br>31.12.2010<br>HK\$'000 |
|---|--------------------------------------|----------------------------------|---------------------------|-----------------------------------|--------------------------|--------------------------|-----------------------------|--|--|
| <b>2010</b>                                 |                                      |                                  |                           |                                   |                          |                          |                             |  |  |
| <b>Non-derivative financial liabilities</b> |                                      |                                  |                           |                                   |                          |                          |                             |  |  |
| Trade and other payables                    | -                                    | 16,851                           | -                         | -                                 | -                        | -                        | -                           | 16,851   | 16,851   |
| Amounts due to associates                   | -                                    | 10,372                           | -                         | -                                 | -                        | -                        | -                           | 10,372   | 10,372   |
| Dividend payable                            | -                                    | 18,545                           | -                         | -                                 | -                        | -                        | -                           | 18,545   | 18,545   |
| Bank borrowings                             | 1.89%                                | -                                | 2,513                     | 17,426                            | 207,065                  | 17,205                   | 36,418                      | 280,627  | 269,170  |
| Long term payable                           | 3.1%                                 | -                                | -                         | -                                 | 180,000                  | -                        | -                           | 180,000  | 170,537  |
| Convertible loan note                       | 13.15%                               | -                                | -                         | -                                 | -                        | 1,175,000                | -                           | 1,175,000  | 844,562  |
| Financial guarantee liability               | -                                    | -                                | -                         | -                                 | 134,205                  | -                        | -                           | 134,205  | 76,318   |
|   |                                      | 45,768                           | 2,513                     | 17,426                            | 521,270                  | 1,192,205                | 36,418                      | 1,815,600  | 1,406,355  |

|   | Weighted<br>average<br>interest rate | Less than<br>1 month<br>HK\$'000 | 1-3<br>months<br>HK\$'000 | 3 months<br>to 1 year<br>HK\$'000 | 1-2 years<br>HK\$'000 | 2-5 years<br>HK\$'000 | Total<br>undiscounted<br>cash<br>flows<br>HK\$'000 | Carrying<br>amount<br>at<br>31.12.2009<br>HK\$'000 |
|---|--------------------------------------|----------------------------------|---------------------------|-----------------------------------|-----------------------|-----------------------|--|--|
| <b>2009</b>                                 |                                      |                                  |                           |                                   |                       |                       |  |  |
| <b>Non-derivative financial liabilities</b> |                                      |                                  |                           |                                   |                       |                       |  |  |
| Trade and other payables                    | 0.1 %                                | 107,393                          | 3,178                     | 10,084                            | -                     | -                     | 120,655  | 120,584  |
| Dividend payable                            | -                                    | 86                               | -                         | -                                 | -                     | -                     | 86   | 86   |
| Bank borrowings                             | 1.4%                                 | -                                | 3,940                     | 163,977                           | 50,732                | -                     | 218,649  | 216,600  |
| Long term payable                           | 3.1%                                 | -                                | -                         | -                                 | 180,000               | -                     | 180,000  | 170,537  |
| Convertible loan note                       | 6.3%                                 | -                                | -                         | 1,175,000                         | -                     | -                     | 1,175,000  | 1,128,227  |
| Financial guarantee liability               | -                                    | -                                | -                         | 972,500                           | -                     | -                     | 972,500  | 146,188  |
|   |                                      | 107,479                          | 7,118                     | 2,321,561                         | 230,732               | -                     | 2,666,890  | 1,782,222  |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 6. FINANCIAL INSTRUMENTS – continued

### 6b. Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity and interest risk tables – continued

#### THE COMPANY

|   | Weighted<br>average<br>interest rate | Less than<br>1 month<br>HK\$'000 | 1-3<br>months<br>HK\$'000 | 3 months<br>to 1 year<br>HK\$'000 | 1-2 years<br>HK\$'000 | 2-5 years<br>HK\$'000 | Total<br>undiscounted<br>cash<br>flows<br>HK\$'000 | Carrying<br>amount<br>at<br>31.12.2010<br>HK\$'000 |
|---|--------------------------------------|----------------------------------|---------------------------|-----------------------------------|-----------------------|-----------------------|--|--|
| <b>2010</b>                                 |                                      |                                  |                           |                                   |                       |                       |  |  |
| <b>Non-derivative financial liabilities</b> |                                      |                                  |                           |                                   |                       |                       |  |  |
| Amounts due to associates                   | -                                    | 419                              | -                         | -                                 | -                     | -                     | 419  | 419  |
| Amounts due to subsidiaries                 | 0.34%                                | 273,977                          | -                         | -                                 | -                     | -                     | 273,977  | 273,900  |
| Dividend payable                            | -                                    | 18,545                           | -                         | -                                 | -                     | -                     | 18,545   | 18,545   |
| Bank borrowings                             | 1.92%                                | -                                | 959                       | 2,877                             | 201,151               | -                     | 204,987  | 200,000  |
| Convertible loan note                       | 13.15%                               | -                                | -                         | -                                 | -                     | 1,175,000             | 1,175,000  | 844,562  |
| Financial guarantee liability               | -                                    | -                                | -                         | -                                 | 134,205               | -                     | 134,205  | 76,318   |
|   |                                      | <u>292,941</u>                   | <u>959</u>                | <u>2,877</u>                      | <u>335,356</u>        | <u>1,175,000</u>      | <u>1,807,133</u>                                   | <u>1,413,744</u>                                   |

|   | Weighted<br>average<br>interest rate | Less than<br>1 month<br>HK\$'000 | 1-3<br>months<br>HK\$'000 | 3 months<br>to 1 year<br>HK\$'000 | 1-2 years<br>HK\$'000 | Total<br>undiscounted<br>cash<br>flows<br>HK\$'000 | Carrying<br>amount<br>at<br>31.12.2009<br>HK\$'000 |
|---|--------------------------------------|----------------------------------|---------------------------|-----------------------------------|-----------------------|--|--|
| <b>2009</b>                                 |                                      |                                  |                           |                                   |                       |  |  |
| <b>Non-derivative financial liabilities</b> |                                      |                                  |                           |                                   |                       |  |  |
| Amounts due to associates                   | -                                    | 584                              | -                         | -                                 | -                     | 584  | 584  |
| Amounts due to subsidiaries                 | 0.36%                                | 221,573                          | 3,441                     | 3,869                             | 40,782                | 269,665  | 268,173  |
| Dividend payable                            | -                                    | 86                               | -                         | -                                 | -                     | 86   | 86   |
| Bank borrowings                             | 1.3%                                 | -                                | 479                       | 150,096                           | -                     | 150,575  | 150,000  |
| Convertible loan note                       | 6.3%                                 | -                                | -                         | 1,175,000                         | -                     | 1,175,000  | 1,128,227  |
| Financial guarantee liability               | -                                    | -                                | -                         | 972,500                           | -                     | 972,500  | 146,188  |
|   |                                      | <u>222,243</u>                   | <u>3,920</u>              | <u>2,301,465</u>                  | <u>40,782</u>         | <u>2,568,410</u>                                   | <u>1,693,258</u>                                   |

The amounts included above for financial guarantee contracts in relation to a jointly controlled entity are the maximum amounts the Group and the Company could be required to settle under the arrangement for the full guaranteed amount, if that amount is claimed by the counterparty to the guarantee through redemption of the principal amount of the Exchangeable Bonds as disclosed in note 38.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 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 in active liquid markets are determined with reference to quoted market bid prices respectively;
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, fair value is determined by option pricing models for option derivatives. The fair value of the conversion component of investment in convertible loan note is determined using binomial model;
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of unlisted equity security classified as available-for-sale investments is determined with reference to the estimated fair value of underlying listed and unlisted equity and debt investment.

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

#### Fair value measurements recognised in the statement of financial position

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

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

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

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

|  | 31 December 2010 |          |                | Total          |
|--|------------------|----------|----------------|----------------|
|  | Level 1          | Level 2  | Level 3        |                |
|  | HK\$'000         | HK\$'000 | HK\$'000       | HK\$'000       |
| <b>Financial assets at FVTPL</b>                 |                  |          |                |                |
| Non-derivative financial assets held for trading | 610              | –        | –              | 610            |
| Investment in convertible loan note              | –                | –        | 272,153        | 272,153        |
| <b>Available-for-sale financial asset</b>        |                  |          |                |                |
| Unlisted equity security                         | –                | –        | 10,255         | 10,255         |
|  | <u>610</u>       | <u>–</u> | <u>282,408</u> | <u>283,018</u> |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 6. FINANCIAL INSTRUMENTS – continued

### 6c. Fair value – continued

Fair value measurements recognised in the statement of financial position – continued

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

There were no transfers between Levels 1 and 2 in both years.

### Reconciliation of Level 3 fair value measurements of financial assets

|  | Unlisted<br>equity<br>security<br>HK\$'000 | Investment in<br>convertible<br>loan note<br>HK\$'000 |
|--|--|---|
| At 1 January 2009  | 11,403                                     | 168,573   |
| Impairment loss recognised in respect of<br>available-for-sale investments | (2,574)                                    | –   |
| Addition   | –  | 13,756  |
| Fair value change on investment in convertible loan note                   | –  | 75,410  |
| At 31 December 2009 and 1 January 2010                                     | 8,829                                      | 257,739   |
| Fair value change on available-for-sale investments                        | 1,426                                      | –   |
| Fair value change on investment in convertible loan note                   | –  | 14,414  |
| At 31 December 2010  | <u>10,255</u>                              | <u>272,153</u>  |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 7. REVENUE

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

|   | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|---|------------------|------------------|
| <b>Continuing Operations</b>                                |                  |                  |
| Catering service income                                     | 99,715           | 87,549           |
| Interest income from authorised institutions and associates | 19,381           | 35,800           |
| Property rental income                                      | 6,070            | 5,549            |
|   | 125,166          | 128,898          |

## 8. SEGMENT INFORMATION

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The chief operating decision maker has chosen to organise the Group around differences in goods or services.

Specifically, the Group's operating segments under HKFRS 8 are as follows:

- (1) Leisure and Entertainment Segment: It mainly comprises provision of catering and related services.
- (2) Property and Other Investments Segment: It mainly comprises property investments, advances to associates, available-for-sale investments and related segment bank balances, which receives interest income and property rental income.

The technology segment was discontinued in the previous and current year. The segment information reported on the following pages does not include any amounts for the discontinued operations, which are described in more details in note 16.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 8. SEGMENT INFORMATION – continued

### Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments:

2010

#### Continuing operations

|  | Leisure and<br>Entertainment | Property<br>and Other<br>Investments | Segment<br>Total | Elimination    | Consolidated     |
|--|------------------------------|--------------------------------------|------------------|----------------|------------------|
|  | HK\$'000                     | HK\$'000                             | HK\$'000         | HK\$'000       | HK\$'000         |
| External sales   | 99,715                       | 25,451                               | 125,166          | –              | 125,166          |
| Inter-segment sales  | 851                          | 936                                  | 1,787            | (1,787)        | –                |
| <b>Total revenue</b>   | <b>100,566</b>               | <b>26,387</b>                        | <b>126,953</b>   | <b>(1,787)</b> | <b>125,166</b>   |
| <b>Segment result</b>  | <b>938</b>                   | <b>26,232</b>                        | <b>27,170</b>    | <b>–</b>       | <b>27,170</b>    |
| Impairment loss recognised in respect<br>of amount due from an associate |                              |                                      |                  |                | (6,068)          |
| Loss on deemed disposal of<br>interests in associates                    |                              |                                      |                  |                | (33,085)         |
| Loss on disposal of interest in an associate                             |                              |                                      |                  |                | (2,012)          |
| Fair value changes on derivative financial<br>instruments                |                              |                                      |                  |                | (34)             |
| Fair value change on investment in<br>convertible loan note              |                              |                                      |                  |                | 14,414           |
| Finance costs  |                              |                                      |                  |                | (106,799)        |
| Share of loss of a jointly controlled entity                             |                              |                                      |                  |                | (81,686)         |
| Share of losses of associates  |                              |                                      |                  |                | (10,943)         |
| Unallocated corporate income   |                              |                                      |                  |                | 76,525           |
| Central administrative costs and other<br>unallocated corporate expenses |                              |                                      |                  |                | (91,469)         |
| <b>Loss before tax</b>   |                              |                                      |                  |                | <b>(213,987)</b> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 8. SEGMENT INFORMATION – continued

### Segment revenue and results – continued

2009

#### Continuing operations

|  | Leisure and<br>Entertainment<br>HK\$'000 | Property<br>and Other<br>Investments<br>HK\$'000 | Segment<br>Total<br>HK\$'000 | Elimination<br>HK\$'000 | Consolidated<br>HK\$'000 |
|--|--|--|------------------------------|-------------------------|--------------------------|
| External sales   | 87,549                                   | 41,349   | 128,898                      | –                       | 128,898                  |
| Inter-segment sales  | 1,251                                    | 5,544  | 6,795                        | (6,795)                 | –                        |
| Total revenue  | 88,800                                   | 46,893   | 135,693                      | (6,795)                 | 128,898                  |
| Segment result   | (762)                                    | 43,493   | 42,731                       | –                       | 42,731                   |
| Impairment loss recognised in respect<br>of available-for-sale investments |  |  |                              |                         | (2,574)                  |
| Impairment loss recognised in respect<br>of amount due from an associate   |  |  |                              |                         | (189,506)                |
| Loss on deemed disposal of<br>interests in associates                      |  |  |                              |                         | (157,214)                |
| Gain on disposal of interest in an associate                               |  |  |                              |                         | 33,516                   |
| Fair value changes on derivative<br>financial instruments                  |  |  |                              |                         | (30)                     |
| Fair value change on investment in<br>convertible loan note                |  |  |                              |                         | 75,410                   |
| Finance costs  |  |  |                              |                         | (95,045)                 |
| Share of loss of a jointly controlled entity                               |  |  |                              |                         | (190,227)                |
| Share of losses of associates  |  |  |                              |                         | (896,601)                |
| Unallocated corporate income   |  |  |                              |                         | 28,848                   |
| Central administrative costs and other<br>unallocated corporate expenses   |  |  |                              |                         | (101,212)                |
| Loss before tax  |  |  |                              |                         | (1,451,904)              |

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned or loss incurred by each segment without allocation of central administrative costs and other unallocated corporate expenses, unallocated corporate income and items as disclosed in the above table. In particular, the impairment loss recognised in respect of amount due from an associate not allocated to segment result is asymmetric to the segment assets allocation where amounts due from associates are allocated to Property and Other Investments segment. This is the measure reported to Chief Executive Officer of the Company for the purposes of resource allocation and performance assessment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 8. SEGMENT INFORMATION – continued

### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segments:

#### Segment assets

|  | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|--|------------------|------------------|
| Leisure and Entertainment                  | 41,778           | 41,157           |
| Property and Other Investments             | 1,603,433        | 1,623,791        |
| Total segment assets                       | 1,645,211        | 1,664,948        |
| Assets relating to discontinued operations | –                | 208,522          |
| Interests in associates                    | 6,396,712        | 6,370,847        |
| Unallocated assets                         | 298,757          | 293,606          |
| Consolidated assets                        | 8,340,680        | 8,537,923        |

#### Segment liabilities

|   | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|---|------------------|------------------|
| Leisure and Entertainment                       | 28,419           | 18,184           |
| Property and Other Investments                  | 385              | 389              |
| Total segment liabilities                       | 28,804           | 18,573           |
| Liabilities relating to discontinued operations | –                | 129,331          |
| Unallocated liabilities                         | 1,456,034        | 1,680,959        |
| Consolidated liabilities                        | 1,484,838        | 1,828,863        |

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

- all assets are allocated to operating segments other than interests in associates, interests in jointly controlled entities, investment in convertible loan note, pledged bank deposits and other assets not attributable to respective segment.
- all liabilities are allocated to operating segments other than bank borrowings, financial guarantee liability, long term payable, convertible loan note, deferred tax liabilities and other liabilities not attributable to respective segment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 8. SEGMENT INFORMATION – continued

Other segment information  
2010

## Continuing operations

|  | Leisure and<br>Entertainment | Property<br>and Other<br>Investments | Unallocated | Consolidated |
|--|------------------------------|--------------------------------------|-------------|--------------|
|  | HK\$'000                     | HK\$'000                             | HK\$'000    | HK\$'000     |
| <i>Amounts included in the measure of segment profit or loss or segment assets:</i>  |                              |                                      |             |              |
| Capital additions  | 163                          | –                                    | 595         | 758          |
| Depreciation   | 5,116                        | –                                    | 3,721       | 8,837        |
| (Gain) loss on disposal of property, plant and equipment   | (46)                         | –                                    | 213         | 167          |
| <i>Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:</i> |                              |                                      |             |              |
| Interests in associates  | 6,396,712                    | –                                    | –           | 6,396,712    |
| Share of loss of a jointly controlled entity   | 81,686                       | –                                    | –           | 81,686       |
| Share of losses of associates  | 12,716                       | –                                    | (1,773)     | 10,943       |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 8. SEGMENT INFORMATION – continued

### Other segment information – continued 2009

#### Continuing operations

|  | Leisure and<br>Entertainment<br>HK\$'000 | Property<br>and Other<br>Investments<br>HK\$'000 | Unallocated<br>HK\$'000 | Consolidated<br>HK\$'000 |
|--|--|--|-------------------------|--------------------------|
| <i>Amounts included in the measure of<br/>segment profit or loss or segment assets:</i>  |  |  |                         |                          |
| Capital additions  | 2,037                                    | –  | 2,785                   | 4,822                    |
| Depreciation   | 5,182                                    | –  | 7,306                   | 12,488                   |
| Loss on disposal of property,<br>plant and equipment   | 332                                      | 112  | –                       | 444                      |
| <i>Amounts regularly provided to<br/>the chief operating decision maker<br/>but not included in the measure of<br/>segment profit or loss or<br/>segment assets:</i> |  |  |                         |                          |
| Interests in associates  | 6,367,608                                | –  | 3,239                   | 6,370,847                |
| Share of loss of a jointly controlled entity   | 190,227                                  | –  | –                       | 190,227                  |
| Share of losses of associates  | 900,484                                  | –  | (3,883)                 | 896,601                  |

#### Geographical information

The Group's operations are located in Hong Kong and Macau. Non-current assets of approximately HK\$6,531,262,000 and HK\$60,000,000 (2009: HK\$6,514,235,000 and HK\$61,249,000) of the Group are located in Hong Kong and Macau, respectively.

All of the Group's revenue from external customers based on location of customers is generated from Hong Kong and Macau of approximately HK\$121,019,000 and HK\$4,147,000 (2009: HK\$125,125,000 and HK\$3,773,000), respectively.

#### Revenue analysed by products and services

The Group's revenue from major products and services are disclosed in note 7.

#### Information about major customers

During the year ended 31 December 2010, there is no customer contributing 10% of the total sales of the Group from continuing operations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 9. OTHER INCOME

|   | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|---|------------------|------------------|
| <b>Continuing operations</b>              |                  |                  |
| Service fees from associates              | 8,351            | 8,991            |
| Decrease in financial guarantee liability | 69,870           | 20,837           |
| Gain on extension of long term payable    | 6,655            | 8,010            |
| Others                                    | 1,986            | 1,274            |
|   | <u>86,862</u>    | <u>39,112</u>    |

## 10. INVESTMENT INCOME

|   | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|---|------------------|------------------|
| <b>Continuing operations</b>                                |                  |                  |
| Gain from fair value change of held-for-trading investments | 310              | 150              |
| Dividend income from unlisted investments                   | 405              | 1,697            |
| Dividend income from listed investments                     | –                | 1,928            |
|   | <u>715</u>       | <u>3,775</u>     |

## 11. EMPLOYEE BENEFITS EXPENSE

|   | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|---|------------------|------------------|
| <b>Continuing operations</b>                                    |                  |                  |
| Wages, salaries and staff welfare                               | 70,577           | 74,248           |
| Discretionary bonus   | 6,800            | 996              |
| Reversal of annual leave  | (201)            | (330)            |
| Termination benefits  | 78               | 292              |
| Provision for long service payment                              | 457              | 922              |
| Retirement benefit scheme contributions                         | 2,207            | 2,375            |
| Share-based payment employee expense                            | 14,973           | 19,427           |
| Others  | 71               | 237              |
|   | <u>94,962</u>    | <u>98,167</u>    |
| Total employee benefits expense including directors' emoluments | <u>94,962</u>    | <u>98,167</u>    |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

During the year ended 31 December 2010, the Group's associate, Mountain China Resorts (Holding) Limited (formerly known as Melco China Resorts (Holding) Limited) ("MCR") continued to be loss making. The Group therefore performed an impairment assessment on amount due from MCR amounting with reference to the financial position and liquidity position of MCR and recognised an impairment loss amounting to approximately HK\$6,068,000 (2009: HK\$189,506,000).

## 13. FINANCE COSTS

|   | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|---|------------------|------------------|
| <b>Continuing operations</b>                        |                  |                  |
| Interest on:  |                  |                  |
| Bank borrowings wholly repayable within five years  | 3,833            | 3,410            |
| Bank borrowings wholly repayable after five years   | 189              | –                |
| Shareholder's loan                                  | –                | 19,067           |
| Effective interest expense on convertible loan note | 95,973           | 66,366           |
| Imputed interest expense on long term payable       | 6,655            | 6,052            |
| Interest expenses to suppliers and others           | 149              | 150              |
|   | <u>106,799</u>   | <u>95,045</u>    |

## 14. LOSS BEFORE TAX

|   | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|---|------------------|------------------|
| <b>Continuing operations</b>  |                  |                  |
| Loss before tax has been arrived at after charging:   |                  |                  |
| Auditor's remuneration  | 1,689            | 1,362            |
| Loss on disposal of property, plant and equipment   | 167              | 444              |
| and after crediting:  |                  |                  |
| Gross rental income   | 6,070            | 5,549            |
| Less: direct operating expenses from investment properties that generated rental income during the year | (89)             | (87)             |
| Net rental income   | <u>5,981</u>     | <u>5,462</u>     |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 15. INCOME TAX CREDIT

|                                  | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|----------------------------------|------------------|------------------|
| <b>Continuing operations</b>     |                  |                  |
| Deferred taxation – current year | 14,245           | –                |

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax for the years ended 31 December 2010 and 2009 is made as there is no estimated assessable profit derived from Hong Kong. Taxation arising in other jurisdictions is calculated at the rate prevailing in the respective jurisdictions.

The credit for the year is reconciled to the loss before tax per consolidated statement of comprehensive income as follows:

|  | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|--|------------------|------------------|
| Loss before tax (from continuing operations)                                 | (213,987)        | (1,451,904)      |
| Tax at Hong Kong Profits Tax rate of 16.5%                                   | (35,308)         | (239,564)        |
| Tax effect of share of results of associates and a jointly controlled entity | 15,284           | 179,327          |
| Tax effect of expenses not deductible for tax purposes                       | 20,618           | 74,477           |
| Tax effect of income not taxable for tax purposes                            | (16,906)         | (28,914)         |
| Tax effect of deductible temporary difference not recognised                 | 466              | 1,165            |
| Utilisation of tax losses previously not recognised                          | (1,098)          | (3,901)          |
| Tax effect of tax losses not recognised                                      | 2,699            | 17,410           |
| Tax credit for the year (relating to continuing operations)                  | (14,245)         | –                |

## 16. DISCONTINUED OPERATIONS

### Disposal of subsidiaries

During the years ended 31 December 2010 and 2009, the Group disposed of its Technology Segment comprising Elixir International Limited (“ELI”) and iAsia Online Systems Limited (“iAsia”), which mainly engaged in design, development and supply of gaming technology, including surveillance equipment and other gaming products used in casino and development and sale of financial trading settlement systems in Hong Kong and Macau, respectively.

In April 2010, the Group entered into an agreement to dispose of its 100% equity interest in a subsidiary, ELI, at a consideration of HK\$352,000 resulting in a loss of approximately HK\$3,473,000. The disposal was completed on 16 July 2010.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 16. DISCONTINUED OPERATIONS – continued

### Disposal of subsidiaries – continued

The (loss) profit for the year from the discontinued operations is analysed as follows:

|   | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|---|------------------|------------------|
| (Loss) profit of technology business for the year | (5,393)          | 5,292            |
| Loss on disposal of technology business (note 46) | (3,473)          | (1,804)          |
|   | <u>(8,866)</u>   | <u>3,488</u>     |

The results of ELI, iAsia and its subsidiary (“iAsia Group”), which carried out all of the Group’s technology business, are set out below:

|   | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|---|------------------|------------------|
| Revenue   | 81,525           | 580,655          |
| Other income  | 635              | 23,046           |
| Purchase and changes in inventories of finished goods                           | (74,620)         | (548,821)        |
| Employee benefits expense   | (6,812)          | (27,381)         |
| Depreciation of property, plant and equipment                                   | (1,025)          | (2,169)          |
| Other expenses  | (4,366)          | (15,068)         |
| Finance costs   | (730)            | (4,368)          |
|   | <u>(5,393)</u>   | <u>5,894</u>     |
| (Loss) profit before tax  | (5,393)          | 5,894            |
| Income tax expense  | –                | (602)            |
|   | <u>(5,393)</u>   | <u>5,292</u>     |
| (Loss) profit for the year  | (5,393)          | 5,292            |
| (Loss) profit for the year from discontinued operations includes the following: |                  |                  |
| Allowance for doubtful debts  | 871              | 2,020            |
| Allowance for inventories   | 3,723            | 22,363           |
|   | <u>4,594</u>     | <u>24,383</u>    |
| Cash flows from ELI and iAsia Group:  |                  |                  |
| Net cash flows (used in) from operating activities                              | (27,775)         | 5,242            |
| Net cash flows from (used in) investing activities                              | 1,209            | (9,213)          |
| Net cash flows used in financing activities                                     | –                | (4,368)          |
|   | <u>(26,566)</u>  | <u>(8,339)</u>   |

The carrying amounts of the assets and liabilities of ELI and iAsia Group at the date of disposal are disclosed in note 46.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 17. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eight (2009: seven) directors were as follows:

### 2010

|   | Mr. Ho,<br>Lawrence<br>Yau Lung | Mr.<br>Tsui<br>Che Yin,<br>Frank | Mr.<br>Chung<br>Yuk Man,<br>Clarence | Mr.<br>Ng Ching<br>Wo | Sir<br>Roger<br>Lobo | Dr.<br>Lo Ka<br>Shui | Mr. Sham<br>Sui<br>Leung,<br>Daniel | Dr. Tyen<br>Kan<br>Hee,<br>Anthony | Total         |
|---|---------------------------------|----------------------------------|--------------------------------------|-----------------------|----------------------|----------------------|-------------------------------------|------------------------------------|---------------|
|   | HK\$'000                        | HK\$'000                         | HK\$'000                             | HK\$'000              | HK\$'000             | HK\$'000<br>(Note)   | HK\$'000                            | HK\$'000                           | HK\$'000      |
| Fees                                    | -                               | -                                | -                                    | 380                   | 420                  | 133                  | 321                                 | 159                                | 1,413         |
| Other emoluments                        |                                 |                                  |                                      |                       |                      |                      |                                     |                                    |               |
| Salaries and other benefits             | -                               | 2,019                            | 2,018                                | -                     | -                    | -                    | -                                   | -                                  | 4,037         |
| Retirement benefit scheme contributions | 12                              | 13                               | 12                                   | -                     | -                    | -                    | -                                   | -                                  | 37            |
| Share-based compensation                | 2,418                           | 1,759                            | 1,938                                | 435                   | 435                  | 249                  | 227                                 | -                                  | 7,461         |
| <b>Total emoluments</b>                 | <b>2,430</b>                    | <b>3,791</b>                     | <b>3,968</b>                         | <b>815</b>            | <b>855</b>           | <b>382</b>           | <b>548</b>                          | <b>159</b>                         | <b>12,948</b> |

### 2009

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

Except for one director who waived emoluments of approximately HK\$1,200,000 (2009: HK\$1,200,000), no other directors waived any emoluments in the year ended 31 December 2010 (2009: Nil). 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, 3,964,000 share options (2009: 914,000 share options and 152,000 awarded shares) were granted to directors of the Company in respect of their services provided to the Group, further details are set out in note 45.

Note: Dr. Lo Ka Shui retired as an independent non-executive director of the Company during the year ended 31 December 2010.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 18. EMPLOYEES' EMOLUMENTS

Of five individuals with the highest emoluments in the Group, three are directors (2009: three directors) of the Company whose emoluments are included in note 17 above. The emoluments of the remaining two (2009: two) individuals were as follows:

|   | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|---|------------------|------------------|
| Basic salaries, housing allowances, other allowances and benefits in kind | 3,028            | 3,303            |
| Retirement benefit scheme contributions                                   | 24               | 21               |
| Share-based compensation  | 2,271            | 4,761            |
|   | 5,323            | 8,085            |

Their emoluments were within the following bands:

|                                | Number of employees |      |
|--------------------------------|---------------------|------|
|                                | 2010                | 2009 |
| HK\$2,000,001 to HK\$2,500,000 | 1                   | –    |
| HK\$2,500,001 to HK\$3,000,000 | –                   | 1    |
| HK\$3,000,001 to HK\$3,500,000 | 1                   | –    |
| HK\$5,000,001 to HK\$5,500,000 | –                   | 1    |
|                                | 2                   | 2    |

## 19. DIVIDEND

|  | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|--|------------------|------------------|
| 2010 Interim – HK1.5 cents (2009: Nil) per share | 18,459           | –                |

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2010.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 20. LOSS PER SHARE

### Continuing and discontinued operations

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

|  | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|--|------------------|------------------|
| Loss for the purposes of basic and diluted loss per share<br>(loss for the year attributable to owners of the Company) | (209,464)        | (1,449,685)      |
|  | 2010<br>'000     | 2009<br>'000     |
| Number of shares   |                  |                  |
| Weighted average number of ordinary shares<br>for the purposes of basic and diluted loss per share                     | 1,229,380        | 1,227,984        |

The number of shares adopted in the calculation of the basic loss per share has been arrived at after eliminating the shares of the Company held under the Company's share award schemes. The computation of diluted loss per share for both years does not assume the conversion of the Company's outstanding convertible loan note, the effect of share option and unvested awarded shares under the Company's long-term incentive schemes (see note 45) since their assumed conversion and exercise would result in a decrease in loss per share.

### From continuing operations

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

|   | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|---|------------------|------------------|
| <b>Loss figure is calculated as follows:</b>  |                  |                  |
| Loss for the year attributable to owners of the Company                                 | (209,464)        | (1,449,685)      |
| Less: (Loss) profit for the year from discontinued operations                           | (8,866)          | 3,488            |
| Loss for the purposes of basic and diluted loss per share from<br>continuing operations | (200,598)        | (1,453,173)      |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 20. LOSS PER SHARE – continued

### From discontinued operations

Basic and diluted loss per share from discontinued operations is HK0.72 cent per share (2009: basic and diluted earnings per share of HK0.29 cent) and is based on the loss for the year from discontinued operations of HK\$8,866,000 (2009: profit for the year from discontinued operations of HK\$3,488,000) and the denominators detailed above for both basic and diluted (loss) earnings per share.

## 21. INVESTMENT PROPERTIES

|  | <b>THE GROUP</b> |                  |
|--|------------------|------------------|
|  | HK\$'000         |                  |
| FAIR VALUE   |                  |                  |
| At 1 January 2009, 1 January 2010 and 31 December 2010             |                  | 166,000          |
| The carrying value of investment properties shown above comprises: |                  |                  |
|  | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| Properties in Hong Kong  | 106,000          | 106,000          |
| Properties in Macau  | 60,000           | 60,000           |
|  | <u>166,000</u>   | <u>166,000</u>   |

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

The fair value of the Group's investment properties as at 31 December 2010 and 2009 have been arrived at on the basis of a valuation carried out on that date by Knight Frank Petty Limited and Savills (Macau) Limited, being independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in similar location.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. The investment properties amounting to HK\$166,000,000 (2009: HK\$166,000,000) are pledged to banks for obtaining the banking facilities for certain subsidiaries of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 22. PROPERTY, PLANT AND EQUIPMENT

|                                 | Restaurant<br>vessels,<br>ferries and<br>pontoons<br>HK\$'000 | Leasehold<br>improvements<br>HK\$'000 | Furniture,<br>fixtures<br>and<br>equipment<br>HK\$'000 | Motor<br>vehicles<br>HK\$'000 | Total<br>HK\$'000 |
|---------------------------------|---|---------------------------------------|--|-------------------------------|-------------------|
| <b>THE GROUP COST</b>           |   |                                       |  |                               |                   |
| At 1 January 2009               | 74,155  | 15,911                                | 83,638   | 2,061                         | 175,765           |
| Additions                       | 309   | 4,054                                 | 2,939  | –                             | 7,302             |
| Disposal of a subsidiary        | –   | (610)                                 | (5,295)  | –                             | (5,905)           |
| Disposals                       | (70)  | (4,346)                               | (1,373)  | –                             | (5,789)           |
| At 31 December 2009             | 74,394  | 15,009                                | 79,909   | 2,061                         | 171,373           |
| Additions                       | –   | 222                                   | 577  | –                             | 799               |
| Disposal of a subsidiary        | –   | –                                     | (5,418)  | (256)                         | (5,674)           |
| Disposals                       | –   | (271)                                 | (1,818)  | (336)                         | (2,425)           |
| At 31 December 2010             | 74,394  | 14,960                                | 73,250   | 1,469                         | 164,073           |
| <b>ACCUMULATED DEPRECIATION</b> |   |                                       |  |                               |                   |
| At 1 January 2009               | 50,637  | 13,843                                | 66,945   | 1,363                         | 132,788           |
| Provided for the year           | 4,122   | 2,928                                 | 7,239  | 368                           | 14,657            |
| Disposal of a subsidiary        | –   | (50)                                  | (4,543)  | –                             | (4,593)           |
| Disposals                       | (70)  | (3,191)                               | (742)  | –                             | (4,003)           |
| At 31 December 2009             | 54,689  | 13,530                                | 68,899   | 1,731                         | 138,849           |
| Provided for the year           | 4,048   | 1,005                                 | 4,713  | 96                            | 9,862             |
| Disposal of a subsidiary        | –   | –                                     | (5,227)  | (133)                         | (5,360)           |
| Disposals                       | –   | (99)                                  | (1,693)  | (336)                         | (2,128)           |
| At 31 December 2010             | 58,737  | 14,436                                | 66,692   | 1,358                         | 141,223           |
| <b>CARRYING VALUES</b>          |   |                                       |  |                               |                   |
| At 31 December 2010             | 15,657  | 524                                   | 6,558  | 111                           | 22,850            |
| At 31 December 2009             | 19,705  | 1,479                                 | 11,010   | 330                           | 32,524            |

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

|  |   |
|--|---|
| Restaurant vessels, ferries and pontoons | 5% to 10%   |
| Leasehold improvements                   | 20% or over the lease terms, whichever is shorter |
| Furniture, fixtures and equipment        | 10% to 33 $\frac{1}{3}$ %                         |
| Motor vehicles                           | 10% to 20%  |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 23. OTHER INTANGIBLE ASSETS

|  | THE GROUP<br>AND<br>THE COMPANY<br>HK\$'000 |
|--|---|
| COST   |   |
| At 1 January 2009, 31 December 2009 and 1 January 2010 | 2,000                                       |
| Additions  | 3,700                                       |
| At 31 December 2010                                    | 5,700                                       |

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

## 24. INTERESTS IN JOINTLY CONTROLLED ENTITIES

|  | THE GROUP        |                  |
|--|------------------|------------------|
|  | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| Cost of unlisted investments in jointly controlled entities                                | 307,392          | 225,706          |
| Share of post-acquisition losses and other comprehensive income, net of dividends received | (307,392)        | (225,706)        |
|  | —                | —                |

As at 31 December 2010 and 2009, the Group had interests in the following jointly controlled entities:

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

*Note: As at 31 December 2010, the cost includes a deemed contribution of approximately HK\$81,686,000 arising from the acquisition of certain shares of Melco Crown Entertainment held from Melco Crown SPV by the Group at above market value. The deemed contribution represents the difference between the consideration paid for those certain shares of Melco Crown Entertainment held by Melco Crown SPV and the fair value of those shares at date of acquisition. The contribution was intended to finance the redemption of Exchangeable Bonds as disclosed in note 38.*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 24. INTERESTS IN JOINTLY CONTROLLED ENTITIES – continued

As at 31 December 2010 and 2009, the Group's interests in jointly controlled entities are represented by interests in Melco Crown SPV and MCEAH. As disclosed in note 38, Melco Crown SPV is a joint venture for the issuance of exchangeable bonds ("Exchangeable Bonds") which can be convertible into shares of Melco Crown Entertainment. The expense of this jointly controlled entity attributable to the Group's interests includes an amount of approximately HK\$25,882,000 (2009: HK\$165,325,000) representing change of fair value on these Exchangeable Bonds, which are designated as financial liability at fair value through profit or loss. In addition, the Group and the Company have provided a guarantee in respect of the Exchangeable Bonds.

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

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

|                                      | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|--------------------------------------|------------------|------------------|
| Current assets                       | 64,370           | 852,086          |
| Non-current assets                   | 4,326            | 76,592           |
| Current liabilities                  | –                | (8)              |
| Non-current liabilities              | (134,433)        | (953,050)        |
| Income recognised in profit or loss  | 31,644           | 19,616           |
| Expense recognised in profit or loss | 113,330          | 209,843          |
| Other comprehensive income           | –                | 175,050          |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 25. INTERESTS IN ASSOCIATES

|   | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|---|------------------|------------------|
| Cost of investment in associates  |                  |                  |
| Listed in the United States of America ("US")   | 7,349,302        | 7,321,298        |
| Listed in Canada  | 339,601          | 339,601          |
| Listed in Hong Kong   | 25,758           | 25,022           |
| Unlisted  | 294,870          | 297,490          |
| Gain on changes in interests in associates  | 1,416,782        | 1,449,756        |
| Impairment losses recognised  | (1,160,838)      | (1,160,838)      |
| Share of exchange and hedging reserves  | (37,632)         | (83,682)         |
| Share of post-acquisition results   | (1,831,131)      | (1,817,800)      |
|   | <u>6,396,712</u> | <u>6,370,847</u> |
| Fair value of listed investments (note a)   | <u>9,034,198</u> | <u>4,790,964</u> |
| Carrying amount of interests in associates with shares listed on respective stock exchanges | <u>6,370,841</u> | <u>6,343,198</u> |

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

| Name   | Place of incorporation/operation          | Class shares held | Percentage of interest in ownership |       | Principal activities   |
|--|---|-------------------|-------------------------------------|-------|--|
|  |   |                   | 2010                                | 2009  |  |
| Melco Crown Entertainment (Note b)   | Cayman Islands/Macau                      | Ordinary shares   | 33.4%                               | 33.5% | Operating of electronic gaming machine lounges, casino games of chance and other casino games and hotel business |
| MCR (Note b)   | Canada/People's Republic of China ("PRC") | Ordinary shares   | 28.7%                               | 49.3% | Operating of ski resorts   |
| MelcoLot Limited (Notes b and d)   | Cayman Islands/PRC                        | Ordinary shares   | 11.7%                               | 11.1% | Lottery business management services and provision of network system integration solutions                       |
| Power Way (Note c)   | British Virgin Islands/Hong Kong          | Ordinary shares   | 58.7%                               | 58.7% | Investment holding   |
| Entertainment Gaming Asia Inc. (formerly known as Elixir Gaming Technologies, Inc.) ("EGT") (Note b) | US/Philippines and Cambodia               | Ordinary shares   | 39.4%                               | 39.8% | Provision of electronic gaming machines to gaming operators  |
| iAsia  | British Virgin Islands/Hong Kong          | Ordinary shares   | –                                   | 20.0% | Provision of online trading software in Hong Kong  |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 25. INTERESTS IN ASSOCIATES – continued

Notes:

- (a) Fair values of listed investments are determined at the market price of listed shares as of year end on respective stock exchange.
- (b) The American Depositary Shares (“ADS”) of Melco Crown Entertainment are listed on the National Association of Securities Dealers Automated Quotations (“NASDAQ”). The shares of MCR are listed on TSX Venture. The shares of MelcoLot Limited are listed on the Growth Market Enterprise of the Stock Exchange. The shares of EGT are listed on NYSE Amex.
- (c) The Group holds 58.7% (2009: 58.7%) interest in Power Way. Pursuant to certain terms and conditions in the shareholders agreement, the financial and operating policies of Power Way require approval of the Group together with certain other shareholders of Power Way, as such, it is accounted for as an associate.
- (d) In addition to the ordinary shares of MelcoLot Limited held by the Group, the Group also holds investment in the convertible loan note issued by MelcoLot Limited (see note 28). The Group’s effective interest in MelcoLot Limited would be increased to 35.3% on a fully-diluted basis if all outstanding convertible loan notes issued by MelcoLot Limited were fully converted. The Group is the single largest shareholder of MelcoLot Limited. As such, the directors of the Company believe that the Group has significant influence over MelcoLot Limited after taking into account the potential voting right from the Group’s investment in MelcoLot Limited’s convertible loan note.

As at 31 December 2010, included in the cost of investment in associates is goodwill of approximately HK\$120,049,000 (2009: HK\$120,049,000) arising on 33,750,000 ordinary shares of Melco Crown Entertainment through distribution of dividend in specie at the fair value of Melco Crown Entertainment’s shares of approximately HK\$525,150,000 received in October 2009 as disclosed in note 24. This amount of goodwill represented the difference between the fair value of Melco Crown Entertainment’s shares received and the Group’s share of net asset values of relevant interest in Melco Crown Entertainment at date of distribution.

During the year ended 31 December 2010, the Group’s interests in certain associates have been changed with details disclosed below. A loss on changes in interests in associates amounting to approximately HK\$35,097,000 (2009: HK\$123,698,000, net) has been recognised in profit or loss.

- (a) In October 2010, the Group disposed of its interest in iAsia at a consideration of HK\$3,000,000. The Group recognised a loss on disposal of iAsia amounting to approximately HK\$2,012,000, which represents the shortfall between the consideration received and the share of net assets attributable to the Group at the date of disposal.
- (b) During the year ended 31 December 2010, the Group’s ownership interest in Melco Crown Entertainment decreased resulting from the vesting of certain restricted shares issued by Melco Crown Entertainment. As a result, the Group recognised a loss of approximately HK\$33,085,000 which represents the decrease in net assets attributable to the Group of HK\$32,974,000 and the realisation of special reserve to profit or loss of approximately HK\$111,000.
- (c) During the year ended 31 December 2009, the Group’s ownership interest in Melco Crown Entertainment decreased resulting from the vesting of certain restricted shares issued by Melco Crown Entertainment, and the follow-on public offerings of Melco Crown Entertainment. As a result, the Group recognised a loss of approximately HK\$156,980,000 which represented the decrease in net assets attributable to the Group of approximately HK\$148,846,000 and the realisation of special reserve to profit or loss of approximately HK\$8,134,000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 25. INTERESTS IN ASSOCIATES – continued

- (d) During the year ended 31 December 2009, the Group's ownership interest in Value Convergence Holdings Limited ("VC") decreased resulting from the exercise of certain share options of VC by the option holders. As a result, the Group recognised a loss of approximately HK\$234,000 which represented the decrease in net assets attributable to the Group.
- (e) In September 2009, the Group disposed of its entire interest in VC at a net consideration of approximately HK\$302,634,000. The Group recognised a gain on disposal of VC amounting to approximately HK\$33,516,000, which represented the excess of the consideration received over the share of net assets attributable to the Group at the date of disposal.

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

|   | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|---|------------------|------------------|
| Total assets  | 39,346,636       | 39,595,488       |
| Total liabilities   | (21,080,419)     | (20,735,829)     |
| Net assets  | 18,266,217       | 18,859,659       |
| Group's share of net assets of associates   | 6,699,402        | 6,673,537        |
| Less: Impairment loss   | (422,739)        | (422,739)        |
|   | 6,276,663        | 6,250,798        |
| Revenue   | 20,834,072       | 10,736,586       |
| Loss for the year   | (41,169)         | (3,222,776)      |
| Group's share of other comprehensive income                                       | 46,050           | 28,028           |
| Group's share of losses and other comprehensive income of associates for the year | 35,107           | (868,573)        |

## 26. INVESTMENT IN SUBSIDIARIES

|                          | THE COMPANY      |                  |
|--------------------------|------------------|------------------|
|                          | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| Unlisted shares, at cost | 1,151,613        | 1,088,346        |

Details of the Company's principal subsidiaries at 31 December 2010 are set out in note 52.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 27. AVAILABLE-FOR-SALE INVESTMENTS

|                          | THE GROUP        |                  |
|--------------------------|------------------|------------------|
|                          | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| Unlisted equity security | 10,255           | 8,829            |

Unlisted equity security which represents unlisted equity investment held by a subsidiary of the Company in an investment holding company is stated at fair value. The investee is engaged in investment in listed and unlisted equity and debt investment. A fair value gain of approximately HK\$1,426,000 (2009: an impairment loss of approximately HK\$2,574,000) is recognised with reference to the estimated fair value of underlying listed and unlisted equity and debt investment held by this investment holding company.

## 28. INVESTMENT IN CONVERTIBLE LOAN NOTE

The investment in convertible loan note is designated as at fair value through profit or loss as the convertible loan note contains embedded derivative.

During the year ended 31 December 2010, the fair value of the Group's investment in MelcoLot Limited's convertible loan note increased by approximately HK\$14,414,000 (2009: HK\$75,410,000) and was recognised in the profit or loss. During the year ended 31 December 2009, the Group acquired additional MelcoLot Limited's convertible loan note of principal amount of approximately HK\$43,306,000 at a consideration of approximately HK\$13,756,000.

As at 31 December 2010, the fair value of the MelcoLot Limited's convertible loan note of approximately HK\$272,153,000 (2009: HK\$257,739,000) is determined using binomial model with reference to closing quoted share price of MelcoLot Limited of HK\$0.15 (2009: HK\$0.40) per share and the inputs into the model by an independent valuer not connected to the Group were as follows:

|                         | 2010   | 2009   |
|-------------------------|--------|--------|
| Expected volatility     | 84.06% | 72.41% |
| Risk free interest rate | 0.57%  | 1.09%  |
| Dividend                | Nil    | Nil    |
| Borrowing rate          | 23.15% | 25.44% |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 29. GOODWILL

|  | THE GROUP<br>HK\$'000 |
|--|-----------------------|
| At 1 January 2009                      | 8,555                 |
| Disposal of a subsidiary (note 46)     | (4,442)               |
| At 31 December 2009 and 1 January 2010 | 4,113                 |
| Disposal of a subsidiary (note 46)     | (4,113)               |
| At 31 December 2010                    | –                     |

## 30. INVENTORIES

|                    | THE GROUP        |                  |
|--------------------|------------------|------------------|
|                    | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| Food and beverages | 1,605            | 1,369            |
| Consumables        | 551              | 573              |
| Merchandise        | 333              | 4,639            |
|                    | 2,489            | 6,581            |

As at 31 December 2009, included in the inventories were merchandise of HK\$2,497,000 carried at net realisable value. As at 31 December 2010, there was no inventories carried at net realisable value.

## 31. TRADE RECEIVABLES

|                                   | THE GROUP        |                  |
|-----------------------------------|------------------|------------------|
|                                   | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| Trade receivables (Notes a and b) | 5,629            | 70,563           |
| Allowance for doubtful debts      | –                | (8,033)          |
|                                   | 5,629            | 62,530           |

Notes:

- (a) The Group's Leisure and Entertainment segment and Property and Other Investments segment are largely operated on cash on delivery or due immediately from date of billing, except for those well-established customers to whom credit terms of 30 to 120 days would be granted.
- (b) Trade receivables on the Group's Technology segments, which discontinued during year ended 31 December 2010, are due immediately from date of billing but the Group will generally grant a normal credit period of 30 to 90 days on average to its customers.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 31. TRADE RECEIVABLES – continued

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

|                | THE GROUP        |                  |
|----------------|------------------|------------------|
|                | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| Within 30 days | 3,614            | 37,556           |
| 31 – 90 days   | 715              | 9,537            |
| Over 90 days   | 1,300            | 15,437           |
|                | <u>5,629</u>     | <u>62,530</u>    |

Before accepting any new customer, the Group assesses the potential customer's credit quality by respective sales team and defines credit limit by customer. All trade receivables that are neither past due nor impaired have the best credit quality attributable to the credit assessment system used by the Group. Included in the Group's trade receivables balance are debtors with a carrying amount of HK\$5,629,000 (2009: HK\$27,872,000) 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:

|                | THE GROUP        |                  |
|----------------|------------------|------------------|
|                | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| Within 30 days | 3,614            | 2,898            |
| 31 – 90 days   | 715              | 9,537            |
| Over 90 days   | 1,300            | 15,437           |
|                | <u>5,629</u>     | <u>27,872</u>    |

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 31. TRADE RECEIVABLES – continued

### Movement in the allowance for doubtful debts

|                                      | THE GROUP        |                  |
|--------------------------------------|------------------|------------------|
|                                      | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| Balance at the beginning of the year | 8,033            | 7,502            |
| Allowance recognised                 | 871              | 2,020            |
| Amounts written off as uncollectible | –                | (585)            |
| Disposal of a subsidiary             | (8,904)          | (904)            |
| Balance at the end of the year       | –                | 8,033            |

## 32. HELD-FOR-TRADING INVESTMENTS

### THE GROUP

Held-for-trading investments as at 31 December 2010 represents equity securities listed in Hong Kong of approximately HK\$610,000 (2009: HK\$300,000).

## 33. DERIVATIVE FINANCIAL INSTRUMENTS

### THE GROUP

The Group subscribed 10,000,000 warrants issued by EGT and 1,000,000 warrants (after consolidation on a 10 to 1 basis) issued by MCR which are recognised as derivative financial instruments.

During the year ended 31 December 2010, all the above warrants were expired and the Group therefore recognised a decrease in fair value of approximately HK\$34,000 (2009: HK\$30,000) regarding these derivative financial instruments.

## 34. AMOUNTS DUE FROM (TO) ASSOCIATES

### THE GROUP

Included in amounts due from associates are:

- a) amount due from an associate of approximately HK\$578,578,000 (2009: HK\$578,578,000) is unsecured, interest bearing at HIBOR (2009: HIBOR) per annum and not repayable within twelve months from the end of the reporting period. This associate continues to expand its gaming business in Macau, the Group has reviewed the financial position and the bank facilities available to this associate and considers no impairment on the amount due from this associate;
- b) amount due from an associate of approximately HK\$71,591,000 (2009: HK\$73,076,000) is unsecured and interest bearing at 5% per annum. Approximately HK\$22,974,000 (2009: HK\$24,333,000) out of the HK\$71,591,000 (2009: HK\$73,076,000) is repayable within twelve months from the end of the reporting period and the remaining HK\$48,617,000 (2009: HK\$48,743,000) is repayable after twelve months from the end of the reporting period. The Group has reviewed the financial position and the bank facilities available to this associate and considers no impairment on the amount due from this associate; and

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 34. AMOUNTS DUE FROM (TO) ASSOCIATES – continued

### THE GROUP – continued

- c) amount due from an associate of approximately HK\$187,794,000 (2009: HK\$194,103,000) in which the Group has recognised an accumulated impairment recognised amounting to approximately HK\$187,794,000 (2009: HK\$189,506,000) (see note 12 for details of impairment recognised). During the year ended 31 December 2010, the Group i) converted amount due from this associate amounting to HK\$7,780,000, which were fully impaired in prior year, into ordinary shares of this associate and ii) extended the repayment date for amount due from the associate amounting to approximately HK\$185,211,000 to 31 March 2013. As at 31 December 2010, amount due from this associate of approximately HK\$2,583,000 is unsecured, non-interest bearing and repayable on demand and approximately HK\$185,211,000 is unsecured, interest bearing at 3% per annum and repayable on 31 March 2013, all of the above balances are fully impaired.
- d) the remaining amounts due from associates are unsecured, non-interest bearing and repayable on demand.

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

The Group's concentration of credit risk by geographical location is mainly in Hong Kong, which accounted for 100% (2009: 89%) of amounts due from associates as at 31 December 2010.

### THE COMPANY

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

## 35. AMOUNTS DUE FROM (TO) SUBSIDIARIES

### THE COMPANY

As at 31 December 2010, amounts due from subsidiaries are unsecured and interest free. Except for amounts due from subsidiaries of approximately HK\$60,761,000 (2009: HK\$80,569,000) which is repayable within one year, the remaining amounts due from subsidiaries are repayable after one year. Deemed interest income of approximately HK\$63,268,000 (2009: HK\$47,634,000) from amounts due from subsidiaries repayable after one year is derived from interest rate of HIBOR plus 1.65% (2009: HIBOR plus 1.28%) per annum. During the year ended 31 December 2010, the Company recognised an impairment loss of approximately HK\$47,600,000 (2009: HK\$227,860,000) on amount due from subsidiaries in view that these subsidiaries continue to be loss making.

As at 31 December 2010, amounts due to subsidiaries includes i) approximately HK\$233,700,000 which are unsecured, interest free and repayable on demand; and ii) HK\$40,200,000 which is unsecured, interest bearing at HIBOR plus 2% per annum and repayable within one year.

As at 31 December 2009, amounts due to subsidiaries included i) approximately HK\$221,573,000 which were unsecured, interest free and repayable on demand; ii) HK\$6,400,000 which was unsecured, interest bearing at HIBOR plus 2% per annum and repayable within one year; and iii) HK\$40,200,000 which was unsecured, interest bearing at HIBOR plus 2% and repayable after one year.

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

### THE GROUP AND THE COMPANY

Bank deposits with original maturity over three months carry fixed interest rate at about 1.1% (2009: 1.9%) per annum. Bank balances and cash comprises cash held by the Group and the Company and short-term bank deposits with an original maturity of three months or less and carries prevailing deposit interest rate at about 0.1% (2009: 0.1%) per annum.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 37. TRADE PAYABLES

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

|                                    | THE GROUP        |                  |
|------------------------------------|------------------|------------------|
|                                    | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| Within 30 days                     | 3,226            | 76,246           |
| 31 – 90 days                       | –                | 13,086           |
| Over 90 days                       | 4                | 3,431            |
|                                    | 3,230            | 92,763           |
| Trade payable by instalment (note) | –                | 17,550           |
|                                    | 3,230            | 110,313          |

*Note:* As at 31 December 2009, the amount represented trade payable to vendors by instalment for one year, which bearing interest at 5% per annum.

## 38. FINANCIAL GUARANTEE LIABILITY

### THE GROUP AND THE COMPANY

On 30 July 2007, the Company and Crown Limited, a major shareholder of Melco Crown Entertainment, formed a 50:50 joint venture, Melco Crown SPV, for the purpose of issuing Exchangeable Bonds with an aggregate principal amount of HK\$1,950 million (US\$250 million), to fund a share purchase program for acquiring ADS of Melco Crown Entertainment. In September 2007, the Exchangeable Bonds with an aggregate principal amount of HK\$1,950 million (US\$250 million) were issued which will mature in September 2012 and have been listed on the Singapore Stock Exchange Limited. The holders of Exchangeable Bonds have a put option exercisable in September 2010 to require Melco Crown SPV to redeem the full amount of the aggregated principal amount. The put option is only exercisable on a single occasion in September 2010 and cannot be exercised after that date.

In September 2010, approximately HK\$1,676.6 million (US\$215.5 million) Exchangeable Bonds was redeemed by the holders of Exchangeable Bonds. The Exchangeable Bonds are jointly and severally guaranteed by the Company and Crown Limited. The financial guarantee liability was recognised initially at its fair value of approximately HK\$225,706,000 with a respective increase in interest in Melco Crown SPV.

As at 31 December 2010 and 2009, the Group and the Company assessed the financial position of Melco Crown SPV and considered that it was probable for the Group and the Company to settle the guarantee given to Melco Crown SPV in relation to the Exchangeable Bonds. As at 31 December 2010, the carrying amount of the financial guarantee liability was estimated to be approximately HK\$76,318,000 (2009: HK\$146,188,000) based on the shortfall amount required by Melco Crown SPV to settle the Exchangeable Bonds guaranteed by the Group and the Company.

During the year ended 31 December 2010, an amount of approximately HK\$69,870,000 (2009: HK\$20,837,000) was recognised in other income of the consolidated statement of comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 38. FINANCIAL GUARANTEE LIABILITY – continued

### THE GROUP AND THE COMPANY – continued

The fair value of the financial guarantee at initial recognition during year ended 31 December 2007 was calculated using the binomial model and the inputs into the model were as follows:

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

## 39. BANK BORROWINGS

|   | THE GROUP        |                  | THE COMPANY      |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2010<br>HK\$'000 | 2009<br>HK\$'000 | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| Secured   | 69,170           | 66,600           | –                | –                |
| Unsecured   | 200,000          | 150,000          | 200,000          | 150,000          |
|   | <u>269,170</u>   | <u>216,600</u>   | <u>200,000</u>   | <u>150,000</u>   |
| Carrying amount repayable:  |                  |                  |                  |                  |
| Within one year   | 14,980           | 166,400          | –                | 150,000          |
| More than one year, but not exceeding two years                   | 204,980          | 50,200           | 200,000          | –                |
| More than two years, but not exceeding five years                 | 14,940           | –                | –                | –                |
| Exceeding five years  | 34,270           | –                | –                | –                |
|   | <u>269,170</u>   | <u>216,600</u>   | <u>200,000</u>   | <u>150,000</u>   |
| Less: Amounts due within one year shown under current liabilities | (14,980)         | (166,400)        | –                | (150,000)        |
|   | <u>254,190</u>   | <u>50,200</u>    | <u>200,000</u>   | <u>–</u>         |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 40. CONVERTIBLE LOAN NOTE

### THE GROUP AND THE COMPANY

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

On 18 February 2010, pursuant to the Deed of Amendment (“Amendment”), which was entered into between the Company and the holder of the convertible loan note, the maturity date of convertible loan note was extended from 4 September 2010 to 4 September 2013, the conversion price was amended to HK\$3.93 per share, the redemption price at maturity remains at par and an early redemption option was granted to the Company and the holder of the convertible loan note. The early redemption option of the Company allows the Company to redeem all or part of the outstanding convertible loan note at any time prior to the maturity date at par. The early redemption option of the holder of the convertible loan note only allows the holder to require the Company to redeem the convertible loan note at par if (a) the Company’s major shareholder, Mr. Lawrence Ho, ceases to hold at least 30% of issued shares of the Company; (b) a general offer by way of takeover is made to all or substantially all the holders of shares in the Company and such offer becomes or is declared unconditional; or (c) a privatisation proposal by way of scheme of arrangement is made and approved by the necessary numbers of shareholders of the Company at the requisite meetings.

As the principal terms of the convertible loan note have been substantially changed under the Amendment, the Amendment has been accounted for as extinguishment of the original convertible loan note and the recognition of a new convertible loan note. The fair value of the amended convertible loan note is approximately HK\$1,150,815,000 at the date of amendment. This amount is accounted for as consideration paid for the extinguishment, of which HK\$1,137,868,000 is allocated to the liability component of the convertible loan note before amendment and HK\$12,947,000 is allocated to the equity component of the said note, which is recognised in retained profits. The original equity component of the convertible loan note before Amendment of approximately HK\$294,306,000 is transferred to retained profits.

The amended convertible loan note contains two components, liability and equity elements. The early redemption options are considered as closely related to the debt component of the amended convertible loan note. The equity element is presented in equity heading “convertible loan note equity reserve”. Upon the amendment, the Group recognised new financial liability, equity component of the convertible loan note and related deferred tax liability of approximately HK\$758,230,000, HK\$392,585,000 and HK\$68,767,000, respectively. At 31 December 2010, the effective interest rate of the liability component is 13.15% (2009: 6.25%) per annum.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 40. CONVERTIBLE LOAN NOTE – continued

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

|  | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|--|------------------|------------------|
| Carrying amounts at the beginning of the year      | 1,128,227        | 1,061,861        |
| Interest on convertible loan note before Amendment | 9,641            | 66,366           |
| Derecognition of amortised cost upon Amendment     | (1,137,868)      | –                |
| Recognition of new financial liability             | 758,230          | –                |
| Interest on convertible loan note after Amendment  | 86,332           | –                |
|  | <hr/>            | <hr/>            |
| Carrying amount at the end of the year             | 844,562          | 1,128,227        |
|  | <hr/>            | <hr/>            |
| Analysed for reporting purpose as:                 |                  |                  |
| Current liabilities                                | –                | 1,128,227        |
| Non-current liabilities                            | 844,562          | –                |
|  | <hr/>            | <hr/>            |
|  | 844,562          | 1,128,227        |
|  | <hr/>            | <hr/>            |

## 41. LONG TERM PAYABLE

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

During the year ended 31 December 2010, the repayment date of the long term payable of HK\$180,000,000 has been re-negotiated and extended from May 2011 to May 2012 such that a gain of approximately HK\$6,655,000 was recognised. As at 31 December 2010, the effective interest rate of the long term payable is 3.1% (2009: 3.1%) per annum.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 42. DEFERRED TAX LIABILITIES

### THE GROUP

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

|  | Convertible<br>loan note<br>HK\$'000 | Accelerated<br>tax<br>depreciation<br>HK\$'000 | Tax<br>losses<br>HK\$'000 | Total<br>HK\$'000 |
|--|--------------------------------------|--|---------------------------|-------------------|
| At 1 January 2009                              | –                                    | (13,140)                                       | 13,859                    | 719               |
| Credit (charge) to profit or loss for the year | –                                    | 46   | (648)                     | (602)             |
| Disposal of a subsidiary                       | –                                    | 119  | (236)                     | (117)             |
| At 1 January 2010                              | –                                    | (12,975)                                       | 12,975                    | –                 |
| Recognised directly in equity                  | (68,767)                             | –  | –                         | (68,767)          |
| Credit (charge) to profit or loss for the year | 14,245                               | 1,014  | (1,014)                   | 14,245            |
| At 31 December 2010                            | (54,522)                             | (11,961)                                       | 11,961                    | (54,522)          |

At the end of the reporting period, the Group has unused estimated tax losses of approximately HK\$377,785,000 (2009: HK\$699,816,000). A deferred tax asset has been recognised in respect of HK\$72,491,000 (2009: HK\$78,641,000) tax losses to the extent that realisation of the related tax benefit through future taxable profit is probable. No deferred tax asset has been recognised in respect of the remaining tax loss due to the unpredictability of future profit streams. All tax losses may be carried forward.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK\$9,891,000 (2009: HK\$7,063,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

### THE COMPANY

|                                       | Convertible<br>loan note<br>HK\$'000 |
|---------------------------------------|--------------------------------------|
| Recognised directly in equity         | (68,767)                             |
| Credit to profit or loss for the year | 14,245                               |
| At 31 December 2010                   | (54,522)                             |

As at 31 December 2010, the Company has approximately HK\$61,218,000 (2009: HK\$71,469,000) unused tax loss. No deferred tax asset has been recognised in respect of the tax loss due to the unpredictability of future profit streams. Tax loss may be carried forward indefinitely.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 43. SHARE CAPITAL

|   | Number of ordinary shares |               | Amount           |                  |
|---|---------------------------|---------------|------------------|------------------|
|   | 2010                      | 2009          | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| <b>THE GROUP AND THE COMPANY</b>                                |                           |               |                  |                  |
| Authorised:   |                           |               |                  |                  |
| At the beginning and end of the year,<br>shares of HK\$0.5 each | 2,000,000,000             | 2,000,000,000 | 1,000,000        | 1,000,000        |
| Issued and fully paid:  |                           |               |                  |                  |
| At the beginning of the year,<br>shares of HK\$0.5 each         | 1,230,258,939             | 1,229,331,116 | 615,130          | 614,666          |
| Exercise of shares options                                      | 332,505                   | 487,823       | 166              | 244              |
| Issue of shares under the share<br>subscription scheme          | –                         | 440,000       | –                | 220              |
| At the end of the year,<br>shares of HK\$0.5 each               | 1,230,591,444             | 1,230,258,939 | 615,296          | 615,130          |

As at 31 December 2010, the Company's 702,885 (2009: 1,339,813) and 124,500 (2009: 261,672) issued shares with an aggregate nominal value of approximately HK\$351,000 (2009: HK\$670,000) and HK\$62,000 (2009: HK\$131,000) were held by the Company's share purchase scheme and share subscription scheme, respectively.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 44. RESERVES

|  | Share<br>premium<br>HK\$'000 | Capital<br>reserve<br>HK\$'000 | Convertible<br>loan note<br>equity<br>reserve<br>HK\$'000 | Share<br>options<br>reserve<br>HK\$'000 | Shares<br>held under<br>share award<br>schemes<br>HK\$'000 | Share<br>award<br>reserve<br>HK\$'000 | Accumulated<br>losses<br>HK\$'000 | Total<br>HK\$'000 |
|--|------------------------------|--------------------------------|---|---|--|---------------------------------------|-----------------------------------|-------------------|
| <b>THE COMPANY</b>   |                              |                                |   |   |  |                                       |                                   |                   |
| At 1 January 2009  | 3,131,442                    | 271,463                        | 307,253   | 32,638                                  | (21,088)   | 4,138                                 | (320,112)                         | 3,405,734         |
| Loss for the year  | -                            | -                              | -   | -                                       | -  | -                                     | (330,839)                         | (330,839)         |
| Exercise of share options  | 740                          | -                              | -   | -                                       | -  | -                                     | -                                 | 740               |
| Recognition of equity  |                              |                                |   |   |  |                                       |                                   |                   |
| – settled share based payment  | -                            | -                              | -   | 14,744                                  | -  | 4,683                                 | -                                 | 19,427            |
| Transfer to share premium  |                              |                                |   |   |  |                                       |                                   |                   |
| upon exercise of share options   | 561                          | -                              | -   | (561)                                   | -  | -                                     | -                                 | -                 |
| Transfer of share option reserve   |                              |                                |   |   |  |                                       |                                   |                   |
| upon expiry of share options   | -                            | -                              | -   | (244)                                   | -  | -                                     | 244                               | -                 |
| Share issued under the share award schemes   | -                            | -                              | -   | -                                       | (220)  | -                                     | -                                 | (220)             |
| Share vested under the share award schemes   | -                            | -                              | -   | -                                       | 8,057  | (4,787)                               | (3,270)                           | -                 |
| At 31 December 2009  | 3,132,743                    | 271,463                        | 307,253   | 46,577                                  | (13,251)   | 4,034                                 | (653,977)                         | 3,094,842         |
| Loss for the year  | -                            | -                              | -   | -                                       | -  | -                                     | 1,521                             | 1,521             |
| Exercise of share options  | 608                          | -                              | -   | -                                       | -  | -                                     | -                                 | 608               |
| Release of convertible loan note equity reserve upon Amendment                     | -                            | -                              | (307,253)   | -                                       | -  | -                                     | 294,306                           | (12,947)          |
| Recognition of equity component of convertible loan note                           | -                            | -                              | 392,585   | -                                       | -  | -                                     | -                                 | 392,585           |
| Deferred tax liability on recognition of equity component of convertible loan note | -                            | -                              | (68,767)  | -                                       | -  | -                                     | -                                 | (68,767)          |
| Recognition of equity  |                              |                                |   |   |  |                                       |                                   |                   |
| – settled share based payment  | -                            | -                              | -   | 14,033                                  | -  | 940                                   | -                                 | 14,973            |
| Transfer to share premium  |                              |                                |   |   |  |                                       |                                   |                   |
| upon exercise of share options   | 457                          | -                              | -   | (457)                                   | -  | -                                     | -                                 | -                 |
| Transfer of share option reserve   |                              |                                |   |   |  |                                       |                                   |                   |
| upon expiry of share options   | -                            | -                              | -   | (399)                                   | -  | (38)                                  | 437                               | -                 |
| Share vested under the share award schemes   | -                            | -                              | -   | -                                       | 6,291  | (4,276)                               | (2,015)                           | -                 |
| Dividend recognised as distribution (note 19)                                      | -                            | (18,459)                       | -   | -                                       | -  | -                                     | -                                 | (18,459)          |
| At 31 December 2010  | 3,133,808                    | 253,004                        | 323,818   | 59,754                                  | (6,960)  | 660                                   | (359,728)                         | 3,404,356         |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 45. LONG TERM INCENTIVE SCHEMES

### Share option scheme

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

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

The maximum number of shares of the Company which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme must not exceed 30% of the total issued share capital of the Company from time to time. The total number of shares which may be issued upon the exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of the Company's shares in issue as at 18 May 2005, which was the date when scheme mandate limit of the Scheme was last refreshed, i.e. 49,101,927 shares of HK\$1.00 each (adjusted to 98,203,854 shares of HK\$0.5 each after capital reorganisation 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 2010, a total of 76,177,334 shares of the Company (representing approximately 6.19% of the issued share capital of the Company) may be issued upon exercise of all options which may be granted under the Scheme and a total of 30,421,924 shares of the Company (representing approximately 2.47% of the issued share capital of the Company) may be issued upon exercise of all options which had been granted and yet to be exercised under the Scheme.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 45. LONG TERM INCENTIVE SCHEMES – continued

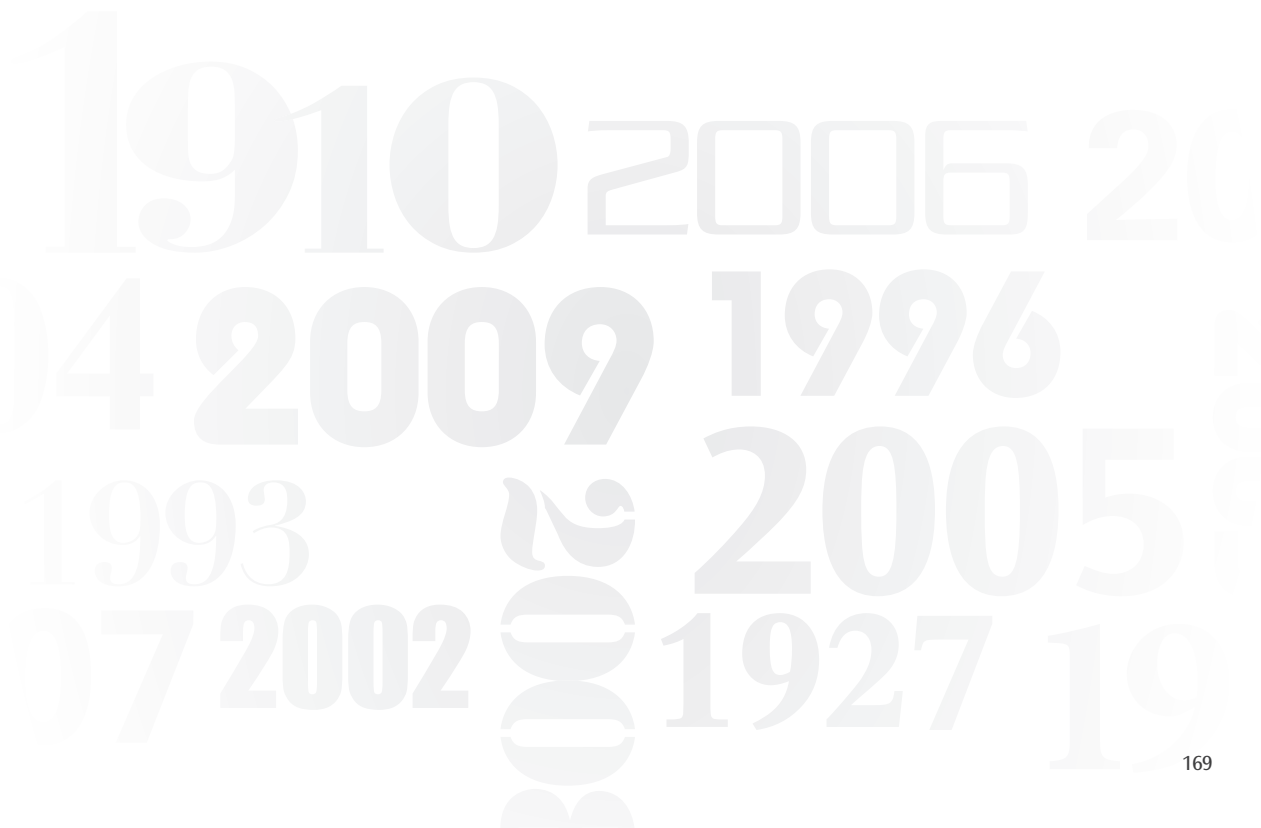
### Share option scheme – continued

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

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

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 45. LONG TERM INCENTIVE SCHEMES – continued

### Share option scheme – continued

Details of the share options outstanding and movements during the year ended 31 December 2010 are as follows:

| Category of participant               | Number of share options |                         |                              |                           |                        |                                      |                         |                              |                           |                        |                           | Date of grant of share options | Share price at date of grant of share options<br>HK\$ | Exercise price of share options<br>HK\$ |
|---------------------------------------|-------------------------|-------------------------|------------------------------|---------------------------|------------------------|--------------------------------------|-------------------------|------------------------------|---------------------------|------------------------|---------------------------|--------------------------------|---|---|
|                                       | Outstanding at 1.1.2009 | Granted during the year | Reclassified during the year | Exercised during the year | Lapsed during the year | Outstanding at 31.12.2009 & 1.1.2010 | Granted during the year | Reclassified during the year | Exercised during the year | Lapsed during the year | Outstanding at 31.12.2010 |                                |   |   |
| Directors <sup>5</sup>                | 200,000                 | -                       | -                            | -                         | -                      | 200,000                              | -                       | -                            | -                         | -                      | 200,000                   | 01.02.2005                     | 7.4   | 7.4                                     |
| Directors <sup>6</sup>                | 400,000                 | -                       | -                            | -                         | -                      | 400,000                              | -                       | -                            | -                         | -                      | 400,000                   | 13.02.2006                     | 11.75   | 11.80                                   |
| Directors <sup>7</sup>                | 900,000                 | -                       | -                            | -                         | -                      | 900,000                              | -                       | (300,000)                    | -                         | -                      | 600,000                   | 03.04.2006                     | 15.7  | 15.87                                   |
| Directors <sup>8</sup>                | 204,000                 | -                       | -                            | -                         | -                      | 204,000                              | -                       | (51,000)                     | -                         | -                      | 153,000                   | 28.02.2008                     | 11.5  | 11.5                                    |
| Directors <sup>9</sup>                | 1,316,520               | -                       | -                            | -                         | -                      | 1,316,520                            | -                       | -                            | -                         | -                      | 1,316,520                 | 01.04.2008                     | 10.7  | 10.804                                  |
| Directors <sup>10</sup>               | 1,628,000               | -                       | -                            | -                         | -                      | 1,628,000                            | -                       | -                            | -                         | -                      | 1,628,000                 | 17.12.2008                     | 2.02  | 2.02                                    |
| Directors <sup>11</sup>               | -                       | 914,000                 | -                            | -                         | -                      | 914,000                              | -                       | (91,000)                     | -                         | -                      | 823,000                   | 03.04.2009                     | 2.99  | 2.99                                    |
| Directors <sup>12</sup>               | -                       | -                       | -                            | -                         | -                      | -                                    | 3,964,000               | (60,000)                     | -                         | -                      | 3,904,000                 | 07.04.2010                     | 3.76  | 3.76                                    |
| Sub-total                             | 4,648,520               | 914,000                 | -                            | -                         | -                      | 5,562,520                            | 3,964,000               | (502,000)                    | -                         | -                      | 9,024,520                 |                                |   |   |
| Employees <sup>13</sup>               | 550,000                 | -                       | -                            | -                         | -                      | 550,000                              | -                       | -                            | -                         | -                      | 550,000                   | 17.09.2004                     | 1.6875  | 1.6875                                  |
| Employees <sup>14</sup>               | 230,000                 | -                       | -                            | -                         | -                      | 230,000                              | -                       | -                            | -                         | -                      | 230,000                   | 01.02.2005                     | 7.4   | 7.4                                     |
| Employees <sup>15</sup>               | 2,530,000               | -                       | (1,560,000)                  | -                         | (20,000)               | 950,000                              | -                       | (100,000)                    | -                         | -                      | 850,000                   | 13.02.2006                     | 11.75   | 11.8                                    |
| Employees <sup>16</sup>               | 1,124,100               | -                       | (647,200)                    | -                         | (26,300)               | 450,600                              | -                       | (77,100)                     | -                         | (15,300)               | 358,200                   | 01.04.2008                     | 10.7  | 10.804                                  |
| Employees <sup>17</sup>               | 1,844,000               | -                       | (546,000)                    | (487,823)                 | (319,668)              | 490,509                              | -                       | (41,501)                     | (185,004)                 | -                      | 264,004                   | 17.12.2008                     | 2.02  | 2.02                                    |
| Employees <sup>18</sup>               | -                       | 1,402,000               | (238,000)                    | -                         | (259,000)              | 905,000                              | -                       | (202,000)                    | (54,500)                  | (110,500)              | 538,000                   | 03.04.2009                     | 2.99  | 2.99                                    |
| Employees <sup>19</sup>               | -                       | -                       | -                            | -                         | -                      | -                                    | 3,045,000               | (18,000)                     | -                         | (408,000)              | 2,619,000                 | 07.04.2010                     | 3.76  | 3.76                                    |
| Sub-total                             | 6,278,100               | 1,402,000               | (2,991,200)                  | (487,823)                 | (624,968)              | 3,576,109                            | 3,045,000               | (438,601)                    | (239,504)                 | (533,800)              | 5,409,204                 |                                |   |   |
| Others <sup>20, 28</sup>              | 9,900,000               | -                       | -                            | -                         | -                      | 9,900,000                            | -                       | -                            | -                         | -                      | 9,900,000                 | 17.09.2004                     | 1.6875  | 1.6875                                  |
| Others <sup>21, 28</sup>              | 1,720,000               | -                       | 1,560,000                    | -                         | -                      | 3,280,000                            | -                       | 100,000                      | -                         | (18,000)               | 3,362,000                 | 13.02.2006                     | 11.75   | 11.8                                    |
| Others <sup>22, 28</sup>              | -                       | -                       | -                            | -                         | -                      | -                                    | -                       | 300,000                      | -                         | -                      | 300,000                   | 03.04.2006                     | 15.7  | 15.87                                   |
| Others <sup>23, 28</sup>              | -                       | -                       | -                            | -                         | -                      | -                                    | -                       | 51,000                       | -                         | -                      | 51,000                    | 28.02.2008                     | 11.5  | 11.5                                    |
| Others <sup>24, 28</sup>              | 84,900                  | -                       | 647,200                      | -                         | -                      | 732,100                              | -                       | 77,100                       | -                         | (33,000)               | 776,200                   | 01.04.2008                     | 10.7  | 10.804                                  |
| Others <sup>25, 28</sup>              | -                       | -                       | 546,000                      | -                         | -                      | 546,000                              | -                       | 41,501                       | (41,501)                  | -                      | 546,000                   | 17.12.2008                     | 2.02  | 2.02                                    |
| Others <sup>26, 28</sup>              | -                       | -                       | 238,000                      | -                         | -                      | 238,000                              | -                       | 293,000                      | (51,500)                  | (104,500)              | 375,000                   | 03.04.2009                     | 2.99  | 2.99                                    |
| Others <sup>27, 28</sup>              | -                       | -                       | -                            | -                         | -                      | -                                    | 600,000                 | 78,000                       | -                         | -                      | 678,000                   | 07.04.2010                     | 3.76  | 3.76                                    |
| Sub-total                             | 11,704,900              | -                       | 2,991,200                    | -                         | -                      | 14,696,100                           | 600,000                 | 940,601                      | (93,001)                  | (155,500)              | 15,988,200                |                                |   |   |
| Total                                 | 22,631,520              | 2,316,000               | -                            | (487,823)                 | (624,968)              | 23,834,729                           | 7,609,000               | -                            | (332,505)                 | (689,300)              | 30,421,924                |                                |   |   |
| Share options exercisable at year end |                         |                         |                              |                           |                        | 15,255,533                           |                         |                              |                           |                        | 20,265,184                |                                |   |   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 45. LONG TERM INCENTIVE SCHEMES – continued

### Share option scheme – continued

Notes:

1. *The vesting period of the share options is from the date of grant until the commencement of the exercisable period.*
2. *The number of shares granted and the exercise price of the options were adjusted after the completion of the rights issue on 24 September 2003 and share subdivision on 19 May 2005.*
3. *As at 31 December 2010, the Company had 30,421,924 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 30,421,924 additional ordinary shares of the Company and additional share capital of approximately HK\$15,210,962 and share premium of approximately HK\$140,326,921 before issuance expenses.*
4. *During the year ended 31 December 2010, no share options were cancelled under the Scheme. In respect of the share options exercised during the year, the weighted average closing price of the shares of the Company immediately before and at the dates on which the options were exercised was HK\$3.80.*
5. *The 200,000 share options may be exercised during the period from 17 September 2009 to 7 March 2012.*
6. *Among the 400,000 share options, 130,000 share options may be exercised during the period from 1 April 2008 to 31 January 2016, 130,000 share options may be exercised during the period from 1 April 2010 to 31 January 2016 and 140,000 share options may be exercised during the period from 1 April 2012 to 31 January 2016.*
7. *Among the 600,000 share options, 200,000 share options may be exercised during the period from 3 April 2008 to 2 April 2016, 200,000 share options may be exercised during the period from 3 April 2010 to 2 April 2016 and 200,000 share options may be exercised during the period from 3 April 2012 to 2 April 2016.*
8. *Among the 153,000 share options, 51,000 share options may be exercised during the period from 1 April 2009 to 27 February 2018, 51,000 share options may be exercised during the period from 1 April 2010 to 27 February 2018 and 51,000 share options may be exercised during the period from 1 April 2011 to 27 February 2018.*
9. *Among the 1,316,520 share options, 438,840 share options may be exercised during the period from 1 April 2009 to 31 March 2018, 438,840 share options may be exercised during the period from 1 April 2010 to 31 March 2018 and 438,840 share options may be exercised during the period from 1 April 2011 to 31 March 2018.*
10. *Among the 1,628,000 share options, 271,333 share options may be exercised during the period from 1 February 2009 to 16 December 2018, 271,333 share options may be exercised during the period from 1 May 2009 to 16 December 2018, 271,333 share options may be exercised during the period from 1 August 2009 to 16 December 2018, 271,333 share options may be exercised during the period from 1 November 2009 to 16 December 2018, 271,333 share options may be exercised during the period from 1 February 2010 to 16 December 2018 and 271,335 share options may be exercised during the period from 1 May 2010 to 16 December 2018.*
11. *Among the 823,000 share options, 266,500 share options may be exercised during the period from 3 April 2010 to 2 April 2019, 266,500 share options may be exercised during the period from 3 April 2011 to 2 April 2019 and 290,000 share options may be exercised during the period from 3 April 2012 to 2 April 2019.*
12. *Among the 3,904,000 share options, 532,000 share options may be exercised during the period from 7 April 2010 to 6 April 2020, 766,000 share options may be exercised during the period from 7 April 2011 to 6 April 2020, 766,000 share options may be exercised during the period from 7 April 2012 to 6 April 2020, 768,000 share options may be exercised during the period from 7 April 2013 to 6 April 2020, 532,000 share options may be exercised during the period from 7 April 2014 to 6 April 2020 and 540,000 share options may be exercised during the period from 7 April 2015 to 6 April 2020.*
13. *Among the 550,000 share options, 170,000 options may be exercised during the period from 17 March 2005 to 7 March 2012, 250,000 options may be exercised during the period from 17 September 2005 to 7 March 2012, 110,000 options may be exercised during the period from 17 September 2006 to 7 March 2012 and 20,000 options may be exercised during the period from 17 March 2008 to 7 March 2012.*
14. *The 230,000 share options may be exercised during the period from 17 March 2008 to 7 March 2012.*
15. *Among 850,000 share options, 272,000 options may be exercised during the period from 1 April 2008 to 31 January 2016, 287,000 options may be exercised during the period from 1 April 2010 to 31 January 2016, 261,000 options may be exercised during the period from 1 April 2012 to 31 January 2016, 10,000 options may be exercised during the period from 3 April 2008 to 31 January 2016, 10,000 options may be exercised during the period from 3 April 2010 to 31 January 2016 and 10,000 options may be exercised during the period from 3 April 2012 to 31 January 2016.*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 45. LONG TERM INCENTIVE SCHEMES – continued

### Share option scheme – continued

Notes: – continued

16. Among the 358,200 share options, 119,400 share options may be exercised during the period from 1 April 2009 to 31 March 2018, 119,400 share options may be exercised during the period from 1 April 2010 to 31 March 2018 and 119,400 share options may be exercised during the period from 1 April 2011 to 31 March 2018.
17. Among the 264,004 share options, 332 share options may be exercised during the period from 1 May 2009 to 16 December 2018, 48,832 share options may be exercised during the period from 1 August 2009 to 16 December 2018, 48,832 share options may be exercised during the period from 1 November 2009 to 16 December 2018, 82,998 share options may be exercised during the period from 1 February 2010 to 16 December 2018 and 83,010 share options may be exercised during the period from 1 May 2010 to 16 December 2018.
18. Among the 538,000 share options, 148,500 share options may be exercised during the period from 3 April 2010 to 2 April 2019, 192,500 share options may be exercised during the period from 3 April 2011 to 2 April 2019 and 197,000 share options may be exercised during the period from 3 April 2012 to 2 April 2019.
19. Among the 2,619,000 share options, 324,000 share options may be exercised during the period from 7 April 2010 to 6 April 2020, 547,000 share options may be exercised during the period from 7 April 2011 to 6 April 2020, 547,000 share options may be exercised during the period from 7 April 2012 to 6 April 2020, 547,000 share options may be exercised during the period from 7 April 2013 to 6 April 2020, 324,000 share options may be exercised during the period from 7 April 2014 to 6 April 2020 and 330,000 share options may be exercised during the period from 7 April 2015 to 6 April 2020.
20. Among the 9,900,000 share options, 4,800,000 options may be exercised during the period from 17 March 2005 to 7 March 2012, 4,900,000 options may be exercised during the period from 17 September 2005 to 7 March 2012, 100,000 options may be exercised during the period from 17 September 2006 to 7 March 2012 and 100,000 options may be exercised during the period from 17 March 2008 to 7 March 2012.
21. Among the 3,362,000 share options, 1,040,500 share options may be exercised during the period from 1 April 2008 to 31 January 2016, 1,022,000 share options may be exercised during the period from 1 April 2010 to 31 January 2016, 1,067,500 share options may be exercised during the period from 1 April 2012 to 31 January 2016, 87,000 share options may be exercised during the period from 3 April 2008 to 31 January 2016, 77,000 share options may be exercised during the period from 3 April 2010 to 31 January 2016 and 68,000 share options may be exercised during the period from 3 April 2012 to 31 January 2016.
22. Among the 300,000 share options, 100,000 share options may be exercised during the period from 3 April 2008 to 2 April 2016, 100,000 share options may be exercised during the period from 3 April 2010 to 2 April 2016 and 100,000 share options may be exercised during the period from 3 April 2012 to 2 April 2016.
23. Among the 51,000 share options, 17,000 share options may be exercised during the period from 1 April 2009 to 27 February 2018, 17,000 share options may be exercised during the period from 1 April 2010 to 27 February 2018 and 17,000 share options may be exercised during the period from 1 April 2011 to 27 February 2018.
24. Among the 776,200 share options, 271,200 share options may be exercised during the period from 1 April 2009 to 31 March 2018, 263,000 share options may be exercised during the period from 1 April 2010 to 31 March 2018 and 242,000 share options may be exercised during the period from 1 April 2011 to 31 March 2018.
25. Among the 546,000 share options, 91,000 share options may be exercised during the period from 1 February 2009 to 16 December 2018, 91,000 share options may be exercised during the period from 1 May 2009 to 16 December 2018, 91,000 share options may be exercised during the period from 1 August 2009 to 16 December 2018, 91,000 share options may be exercised during the period from 1 November 2009 to 16 December 2018, 91,000 share options may be exercised during the period from 1 February 2010 to 16 December 2018 and 91,000 share options may be exercised during the period from 1 May 2010 to 16 December 2018.
26. Among the 375,000 share options, 124,000 share options may be exercised during the period from 3 April 2010 to 2 April 2019, 124,000 share options may be exercised during the period from 3 April 2011 to 2 April 2019 and 127,000 share options may be exercised during the period from 3 April 2012 to 2 April 2019.
27. Among the 678,000 share options, 100,000 share options may be exercised during the period from 7 April 2010 to 6 April 2020, 126,000 share options may be exercised during the period from 7 April 2011 to 6 April 2020, 126,000 share options may be exercised during the period from 7 April 2012 to 6 April 2020, 126,000 share options may be exercised during the period from 7 April 2013 to 6 April 2020, 100,000 share options may be exercised during the period from 7 April 2014 to 6 April 2020 and 100,000 share options may be exercised during the period from 7 April 2015 to 6 April 2020.
28. The category “Others” represents the former directors/employees or consultants of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 45. LONG TERM INCENTIVE SCHEMES – continued

### Share option scheme – continued

During the year ended 31 December 2010, share options were granted on 7 April 2010. The estimated fair values of the options granted on that date is approximately HK\$18,370,000. The fair value per option granted during the year ended 31 December 2010 is HK\$2.41.

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

|                     | Share options grant date |              |
|---------------------|--------------------------|--------------|
|                     | 7 April 2010             | 3 April 2009 |
| Exercise price      | HK\$3.76                 | HK\$2.99     |
| Expected volatility | 69.53%                   | 68.562%      |
| Expected life       | 6.25 years               | 6 years      |
| Risk-free rate      | 2.27%                    | 1.742%       |

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

The Group and the Company recognised the total expenses of approximately HK\$14,033,000 and HK\$14,033,000, respectively, for the year ended 31 December 2010 (2009: HK\$14,744,000 and HK\$14,744,000, 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.

### Share award schemes

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 45. LONG TERM INCENTIVE SCHEMES – continued

### Share award schemes – continued

#### Share Purchase Scheme

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

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

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

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 45. LONG TERM INCENTIVE SCHEMES – continued

### Share award schemes – continued

#### Share Purchase Scheme – continued

Movements of the awarded shares, which were granted pursuant to the terms of the rules and trust deed of the Share Purchase Scheme, during the year ended 31 December 2010 are set out below:

| Category of participant | Number of awarded shares |                         |                              |                        |                        |                           |                                      |                              |                        |                           | Share price at date of award HK\$ | Date of award | Vesting date |
|-------------------------|--------------------------|-------------------------|------------------------------|------------------------|------------------------|---------------------------|--------------------------------------|------------------------------|------------------------|---------------------------|-----------------------------------|---------------|--------------|
|                         | Outstanding at 1.1.2009  | Awarded during the year | Reclassified during the year | Vested during the year | Lapsed during the year | Cancelled during the year | Outstanding at 31.12.2009 & 1.1.2010 | Reclassified during the year | Vested during the year | Outstanding at 31.12.2010 |                                   |               |              |
| Directors               | 60,000                   | -                       | -                            | (60,000)               | -                      | -                         | -                                    | -                            | -                      | -                         | 11.50                             | 28.02.2008    | 31.03.2009   |
| Directors               | 60,000                   | -                       | -                            | -                      | -                      | -                         | 60,000                               | -                            | (60,000)               | -                         | 11.50                             | 28.02.2008    | 31.03.2010   |
| Directors               | 16,000                   | -                       | -                            | (16,000)               | -                      | -                         | -                                    | -                            | -                      | -                         | 11.50                             | 28.02.2008    | 01.04.2009   |
| Directors               | 16,000                   | -                       | -                            | -                      | -                      | -                         | 16,000                               | -                            | (16,000)               | -                         | 11.50                             | 28.02.2008    | 01.04.2010   |
| Directors               | 16,000                   | -                       | -                            | -                      | -                      | -                         | 16,000                               | (4,000)                      | -                      | 12,000                    | 11.50                             | 28.02.2008    | 01.04.2011   |
| Directors               | 131,765                  | -                       | -                            | (131,765)              | -                      | -                         | -                                    | -                            | -                      | -                         | 10.70                             | 01.04.2008    | 01.04.2009   |
| Directors               | 131,765                  | -                       | -                            | -                      | -                      | -                         | 131,765                              | -                            | (131,765)              | -                         | 10.70                             | 01.04.2008    | 01.04.2010   |
| Directors               | 125,998                  | -                       | -                            | (125,998)              | -                      | -                         | -                                    | -                            | -                      | -                         | 2.02                              | 17.12.2008    | 01.02.2009   |
| Directors               | 125,998                  | -                       | -                            | (125,998)              | -                      | -                         | -                                    | -                            | -                      | -                         | 2.02                              | 17.12.2008    | 01.05.2009   |
| Directors               | 125,998                  | -                       | -                            | (125,998)              | -                      | -                         | -                                    | -                            | -                      | -                         | 2.02                              | 17.12.2008    | 01.08.2009   |
| Directors               | 125,998                  | -                       | -                            | (125,998)              | -                      | -                         | -                                    | -                            | -                      | -                         | 2.02                              | 17.12.2008    | 01.11.2009   |
| Directors               | 125,998                  | -                       | -                            | -                      | -                      | -                         | 125,998                              | -                            | (125,998)              | -                         | 2.02                              | 17.12.2008    | 01.02.2010   |
| Directors               | 126,010                  | -                       | -                            | -                      | -                      | -                         | 126,010                              | -                            | (126,010)              | -                         | 2.02                              | 17.12.2008    | 01.05.2010   |
| Directors               | -                        | 50,500                  | -                            | -                      | -                      | -                         | 50,500                               | -                            | (50,500)               | -                         | 2.99                              | 03.04.2009    | 03.04.2010   |
| Directors               | -                        | 50,500                  | -                            | -                      | -                      | -                         | 50,500                               | (5,000)                      | -                      | 45,500                    | 2.99                              | 03.04.2009    | 03.04.2011   |
| Directors               | -                        | 51,000                  | -                            | -                      | -                      | -                         | 51,000                               | (5,000)                      | -                      | 46,000                    | 2.99                              | 03.04.2009    | 03.04.2012   |
| Sub-total               | 1,187,530                | 152,000                 | -                            | (711,757)              | -                      | -                         | 627,773                              | (14,000)                     | (510,273)              | 103,500                   |                                   |               |              |
| Employees               | 105,320                  | -                       | (10,550)                     | (94,770)               | -                      | -                         | -                                    | -                            | -                      | -                         | 10.70                             | 01.04.2008    | 01.04.2009   |
| Employees               | 105,320                  | -                       | (55,990)                     | -                      | (13,665)               | -                         | 35,665                               | -                            | (35,665)               | -                         | 10.70                             | 01.04.2008    | 01.04.2010   |
| Employees               | -                        | 46,500                  | (10,500)                     | -                      | (9,500)                | -                         | 26,500                               | -                            | (26,500)               | -                         | 2.99                              | 03.04.2009    | 03.04.2010   |
| Employees               | -                        | 46,500                  | (10,500)                     | -                      | (9,500)                | -                         | 26,500                               | -                            | -                      | 26,500                    | 2.99                              | 03.04.2009    | 03.04.2011   |
| Employees               | -                        | 49,000                  | (11,000)                     | -                      | (10,000)               | -                         | 28,000                               | -                            | -                      | 28,000                    | 2.99                              | 03.04.2009    | 03.04.2012   |
| Sub-total               | 210,640                  | 142,000                 | (98,540)                     | (94,770)               | (42,665)               | -                         | 116,665                              | -                            | (62,165)               | 54,500                    |                                   |               |              |
| Others (note)           | -                        | -                       | 10,550                       | (7,550)                | (2,000)                | (1,000)                   | -                                    | -                            | -                      | -                         | 10.70                             | 01.04.2008    | 01.04.2009   |
| Others (note)           | -                        | -                       | 55,990                       | -                      | (2,000)                | (1,000)                   | 52,990                               | -                            | (52,990)               | -                         | 10.70                             | 01.04.2008    | 01.04.2010   |
| Others (note)           | -                        | -                       | -                            | -                      | -                      | -                         | -                                    | 4,000                        | -                      | 4,000                     | 11.50                             | 28.02.2008    | 01.04.2011   |
| Others (note)           | -                        | -                       | 10,500                       | -                      | -                      | -                         | 10,500                               | -                            | (10,500)               | -                         | 2.99                              | 03.04.2009    | 03.04.2010   |
| Others (note)           | -                        | -                       | 10,500                       | -                      | -                      | -                         | 10,500                               | 5,000                        | -                      | 15,500                    | 2.99                              | 03.04.2009    | 03.04.2011   |
| Others (note)           | -                        | -                       | 11,000                       | -                      | -                      | -                         | 11,000                               | 5,000                        | -                      | 16,000                    | 2.99                              | 03.04.2009    | 03.04.2012   |
| Sub-total               | -                        | -                       | 98,540                       | (7,550)                | (4,000)                | (2,000)                   | 84,990                               | 14,000                       | (63,490)               | 35,500                    |                                   |               |              |
| Total                   | 1,398,170                | 294,000                 | -                            | (814,077)              | (46,665)               | (2,000)                   | 829,428                              | -                            | (635,928)              | 193,500                   |                                   |               |              |

Note: Others represent the former employees of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 45. LONG TERM INCENTIVE SCHEMES – continued

### Share award schemes – continued

#### Share Subscription Scheme

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 45. LONG TERM INCENTIVE SCHEMES – continued

### Share award schemes – continued

#### Share Subscription Scheme – continued

Movements of the awarded shares, which were granted pursuant to the terms of the rules and trust deed of the Share Subscription Scheme, during the year ended 31 December 2010 are set out below:

| Category of participant | Number of awarded shares      |                               |                                    |                              |                              |   |                                    |                              |                              |                                 | Share price<br>at date<br>of award<br>HK\$ | Date of<br>award | Vesting date |
|-------------------------|-------------------------------|-------------------------------|------------------------------------|------------------------------|------------------------------|---|------------------------------------|------------------------------|------------------------------|---------------------------------|--|------------------|--------------|
|                         | Outstanding<br>at<br>1.1.2009 | Awarded<br>during<br>the year | Reclassified<br>during<br>the year | Vested<br>during<br>the year | Lapsed<br>during<br>the year | Outstanding<br>at<br>31.12.2009<br>& 1.1.2010 | Reclassified<br>during<br>the year | Vested<br>during<br>the year | Lapsed<br>during<br>the year | Outstanding<br>at<br>31.12.2010 |  |                  |              |
| Employees               | 49,665                        | -                             | -                                  | (49,665)                     | -                            | -   | -                                  | -                            | -                            | -                               | 2.02                                       | 17.12.2008       | 01.02.2009   |
| Employees               | 49,665                        | -                             | -                                  | (49,665)                     | -                            | -   | -                                  | -                            | -                            | -                               | 2.02                                       | 17.12.2008       | 01.05.2009   |
| Employees               | 49,665                        | -                             | -                                  | (49,665)                     | -                            | -   | -                                  | -                            | -                            | -                               | 2.02                                       | 17.12.2008       | 01.08.2009   |
| Employees               | 49,665                        | -                             | (14,666)                           | (34,999)                     | -                            | -   | -                                  | -                            | -                            | -                               | 2.02                                       | 17.12.2008       | 01.11.2009   |
| Employees               | 49,665                        | -                             | (14,666)                           | -                            | (10,000)                     | 24,999  | -                                  | (24,999)                     | -                            | -                               | 2.02                                       | 17.12.2008       | 01.02.2010   |
| Employees               | 49,675                        | -                             | (14,670)                           | -                            | (10,000)                     | 25,005  | -                                  | (25,005)                     | -                            | -                               | 2.02                                       | 17.12.2008       | 01.05.2010   |
| Employees               | -                             | 44,000                        | (2,500)                            | -                            | (4,500)                      | 37,000  | -                                  | (35,000)                     | (2,000)                      | -                               | 2.99                                       | 03.04.2009       | 03.04.2010   |
| Employees               | -                             | 44,000                        | (2,500)                            | -                            | (4,500)                      | 37,000  | (12,000)                           | -                            | (7,500)                      | 17,500                          | 2.99                                       | 03.04.2009       | 03.04.2011   |
| Employees               | -                             | 54,000                        | (3,000)                            | -                            | (6,000)                      | 45,000  | (14,000)                           | -                            | (10,000)                     | 21,000                          | 2.99                                       | 03.04.2009       | 03.04.2012   |
| Sub-total               | 298,000                       | 142,000                       | (52,002)                           | (183,994)                    | (35,000)                     | 169,004                                       | (26,000)                           | (85,004)                     | (19,500)                     | 38,500                          |  |                  |              |
| Others (note)           | -                             | -                             | 14,666                             | (14,666)                     | -                            | -   | -                                  | -                            | -                            | -                               | 2.02                                       | 17.12.2008       | 01.11.2009   |
| Others (note)           | -                             | -                             | 14,666                             | -                            | -                            | 14,666  | -                                  | (14,666)                     | -                            | -                               | 2.02                                       | 17.12.2008       | 01.02.2010   |
| Others (note)           | -                             | -                             | 14,670                             | -                            | -                            | 14,670  | -                                  | (14,670)                     | -                            | -                               | 2.02                                       | 17.12.2008       | 01.05.2010   |
| Others (note)           | -                             | -                             | 2,500                              | -                            | -                            | 2,500   | -                                  | (2,500)                      | -                            | -                               | 2.99                                       | 03.04.2009       | 03.04.2010   |
| Others (note)           | -                             | -                             | 2,500                              | -                            | -                            | 2,500   | 12,000                             | -                            | (9,500)                      | 5,000                           | 2.99                                       | 03.04.2009       | 03.04.2011   |
| Others (note)           | -                             | -                             | 3,000                              | -                            | -                            | 3,000   | 14,000                             | -                            | (11,000)                     | 6,000                           | 2.99                                       | 03.04.2009       | 03.04.2012   |
| Sub-total               | -                             | -                             | 52,002                             | (14,666)                     | -                            | 37,336  | 26,000                             | (31,836)                     | (20,500)                     | 11,000                          |  |                  |              |
| Total                   | 298,000                       | 142,000                       | -                                  | (198,660)                    | (35,000)                     | 206,340                                       | -                                  | (116,840)                    | (40,000)                     | 49,500                          |  |                  |              |

Note: Others represent the former employees of the Group.

The fair value of awarded shares is measured at the market price of the Company's share at date of grant. The Group and the Company recognised the total expenses of approximately HK\$940,000 (2009: HK\$4,683,000) for the year ended 31 December 2010 in relation to the share award schemes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 46. DISPOSAL OF A SUBSIDIARY

As disclosed in note 16, the Group disposed ELI in July 2010, the net assets of ELI at the date of disposal were as follows:

|  | HK\$'000 |
|--|----------|
| <hr/>  |          |
| <b>Consideration:</b>  |          |
| Cash received  | 352      |
|  | <hr/>    |
| <b>Analysis of assets and liabilities over which control was lost:</b>   |          |
| Property, plant and equipment  | 314      |
| Goodwill   | 4,113    |
| Trade and other receivables  | 49,785   |
| Inventories  | 418      |
| Amounts due from group companies   | 209      |
| Amounts due from associates  | 25       |
| Pledged bank deposits  | 5,791    |
| Bank balances and cash   | 19,155   |
| Trade and other payables   | (75,808) |
| Tax payables   | (82)     |
| Amounts due to group companies   | (25)     |
|  | <hr/>    |
| Net assets disposed of   | 3,895    |
|  | <hr/>    |
| <b>Loss on disposal of a subsidiary:</b>   |          |
| Consideration  | 352      |
| Net assets disposed of   | (3,895)  |
| Cumulative exchange differences in respect of the net assets<br>of the subsidiary reclassified from equity to profit or loss | 70       |
|  | <hr/>    |
| Loss on disposal   | (3,473)  |
|  | <hr/>    |
| <b>Net cash outflow arising on disposal:</b>   |          |
| Cash consideration   | 352      |
| Less: bank balances and cash disposed of   | (19,155) |
|  | <hr/>    |
|  | (18,803) |
|  | <hr/>    |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 46. DISPOSAL OF A SUBSIDIARY – continued

As disclosed in note 16, the Group disposed iAsia in June 2009, the net assets of iAsia at the date of disposal were as follows:

|  | HK\$'000       |
|--|----------------|
| <b>Consideration:</b>  |                |
| Consideration receivable   | 8,000          |
| Cash received  | 4,000          |
|  | <u>12,000</u>  |
| <b>Analysis of assets and liabilities over which control was lost:</b> |                |
| Property, plant and equipment  | 1,312          |
| Goodwill   | 4,442          |
| Deferred tax assets  | 117            |
| Trade and other receivables  | 6,833          |
| Amounts due from group companies                                       | 100            |
| Amounts due from associates  | 3,822          |
| Bank balances and cash   | 12,819         |
| Trade and other payables   | (12,903)       |
| Amounts due to group companies   | (116)          |
|  | <u>16,426</u>  |
| Net assets disposed of   | <u>16,426</u>  |
| <b>Loss on disposal of a subsidiary:</b>                               |                |
| Consideration  | 12,000         |
| Interests in associates  | 2,622          |
| Net assets disposed of   | (16,426)       |
|  | <u>(1,804)</u> |
| Loss on disposal   | <u>(1,804)</u> |
| <b>Net cash outflow arising on disposal:</b>                           |                |
| Cash consideration received  | 4,000          |
| Less: bank balances and cash disposed of                               | (12,819)       |
|  | <u>(8,819)</u> |

The remaining HK\$8,000,000 consideration receivables were all settled in 2010.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 47. MAJOR NON-CASH TRANSACTIONS

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

- i) HK\$8,000,000 out of the HK\$12,000,000 consideration for disposal of iAsia was unsettled; and
- ii) investment in Melco Crown Entertainment of HK\$525,150,000 by way of dividends in specie distributed by MCEAH (note 24).

## 48. OPERATING LEASE ARRANGEMENTS

### (a) The Group as lessee

Minimum lease payments under operating leases during the year in respect of office premises were approximately HK\$8,944,000 (2009: HK\$18,241,000).

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

|                                       | THE GROUP        |                  |
|---------------------------------------|------------------|------------------|
|                                       | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| Within one year                       | 8,997            | 10,981           |
| In the second to fifth year inclusive | 11,049           | 1,786            |
|                                       | 20,046           | 12,767           |

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

### (b) The Group as lessor

At 31 December 2010, the Group has entered into lease arrangements with certain tenants for its investment properties. Certain of the properties held have committed tenants for the next one to four years. At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments.

|                                       | THE GROUP        |                  |
|---------------------------------------|------------------|------------------|
|                                       | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| Within one year                       | 7,126            | 7,511            |
| In the second to fifth year inclusive | 11,823           | 13,705           |
|                                       | 18,949           | 21,216           |

The Company had no significant operating leases at the end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 49. CONTINGENT LIABILITIES

### THE GROUP AND THE COMPANY

During the year ended 31 December 2010, the Company and one of its wholly-owned subsidiaries were defendants in respect of an alleged claim by a shareholder of EGT. However, no provision has been provided for this case because the litigation is still at its preliminary stage and it is premature to predict the outcome or reasonably estimate a range of possible loss.

The Group and the Company recognised financial guarantee liabilities in respect of the Exchangeable Bonds issued by Melco Crown SPV which are jointly and severally guaranteed by the Company and Crown Limited. Details of the guarantee are disclosed in notes 24 and 38.

## 50. RETIREMENT BENEFIT SCHEMES

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

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

## 51. RELATED PARTY TRANSACTIONS

- (a) As at 31 December 2009, the trade receivables included amounts due from related companies in relation to implementation of technology solution systems of approximately HK\$27,947,000 and amount due from an associate, in relation to the implementation of technology solution systems of approximately HK\$16,911,000.
- (b) As at 31 December 2009, the accruals and other payables included deposits received from related companies in relation to implementation of technology solution system of approximately HK\$14,060,000 and HK\$457,000, respectively.
- (c) As at 31 December 2010 and 2009, the Group and the Company have a convertible loan note with principal amount of HK\$1,175,000,000 issued to a related company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 51. RELATED PARTY TRANSACTIONS – continued

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

|  | THE GROUP        |                  |
|--|------------------|------------------|
|  | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| Catering income earned from directors of the Company and related companies     | 6,085            | 6,450            |
| Insurance premiums charged by a related company                                | 1,111            | 1,018            |
| interest income received from associates                                       | 11,174           | 19,723           |
| Rental income received from an associate                                       | 4,147            | 3,773            |
| Overseas travels, entertainment and gifts expenses charged by an associate     | 488              | 94               |
| Interest expense on shareholder's loan   | –                | 19,067           |
| Interest expense on convertible loan note to related companies                 | 95,973           | 66,366           |
| Revenue from implementation of technology solution system to related companies | 42,416           | 51,746           |
| Revenue from implementation of technology solution system to associates        | 10,956           | 423,312          |
| Service income received from associates  | 8,887            | 11,634           |
| Souvenirs sold to related companies  | 835              | 833              |
| Sundry income received from associates   | 815              | 1,169            |

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

(e) Compensation of key management personnel

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

|                          | THE GROUP        |                  |
|--------------------------|------------------|------------------|
|                          | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| Short-term benefits      | 11,040           | 14,593           |
| Post-employment benefits | 88               | 105              |
| Share-based payments     | 10,665           | 15,951           |
|                          | 21,793           | 30,649           |

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 52. 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 |       |
|  |                        |  |   | 2010  | 2009 | 2010       | 2009  |
| Melco Leisure and Entertainment Group Limited                              | British Virgin Islands | Investment holding in Hong Kong                              | 1 share of US\$1  | 100%  | 100% | –          | –     |
| Aberdeen Restaurant Enterprises Limited                                    | Hong Kong              | Restaurant operations and property investment in Hong Kong   | 8,060 A shares of HK\$1,000 each and 33,930 B shares of HK\$500 each          | –   | –    | 86.7%      | 86.7% |
| Tai Pak Sea-Food Restaurant Limited  | Hong Kong              | Catering, restaurant vessel holding and letting in Hong Kong | 5 founders' shares of HK\$100 each and 13,495 ordinary shares of HK\$100 each | –   | –    | 84.8%      | 84.8% |
| Jumbo Catering Management Limited  | Hong Kong              | Provision of management services in Hong Kong                | 220 ordinary shares of HK\$5,000  | –   | –    | 86.7%      | 86.7% |
| Melco Technology Group Limited   | Hong Kong              | Investment holding in Hong Kong                              | 2 ordinary shares of HK\$1 each   | 100%  | 100% | –          | –     |
| EGT Entertainment Holding Limited (formerly known as Elixir Group Limited) | Hong Kong              | Investment holding in Hong Kong                              | 833,333 ordinary shares of HK\$1 each   | –   | –    | 100%       | 100%  |
| Melco Services Limited   | British Virgin Islands | Investment holding in Hong Kong                              | 1 share of US\$1  | 100%  | 100% | –          | –     |
| Melco Investment Holdings Limited  | British Virgin Islands | Investment holding in Macau                                  | 1 share of US\$1  | 100%  | 100% | –          | –     |
| Zonic Technology Limited   | British Virgin Islands | Investment holding in Hong Kong                              | 1 share of US\$1  | –   | –    | 100%       | 100%  |
| Melco LottVentures Holdings Limited  | British Virgin Islands | Investment holding in Hong Kong                              | 1 share of US\$1  | –   | –    | 100%       | 100%  |

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors, principally affect the results or assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

## FIVE YEARS FINANCIAL SUMMARY

## RESULTS

|                            | For the year ended 31 December |                  |                  |                  |                  |
|----------------------------|--------------------------------|------------------|------------------|------------------|------------------|
|                            | 2006<br>HK\$'000               | 2007<br>HK\$'000 | 2008<br>HK\$'000 | 2009<br>HK\$'000 | 2010<br>HK\$'000 |
| Revenue                    | 800,609                        | 1,015,521        | 690,862          | 709,553          | 206,691          |
| Profit (loss) for the year | 2,759,981                      | 2,668,663        | (2,353,214)      | (1,448,416)      | (208,608)        |
| Attributable to:           |                                |                  |                  |                  |                  |
| Owners of the Company      | 2,836,755                      | 2,690,639        | (2,356,819)      | (1,449,685)      | (209,464)        |
| Non-controlling interests  | (76,774)                       | (21,976)         | 3,605            | 1,269            | 856              |
|                            | 2,759,981                      | 2,668,663        | (2,353,214)      | (1,448,416)      | (208,608)        |

## ASSETS AND LIABILITIES

|   | At 31 December   |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|------------------|
|   | 2006<br>HK\$'000 | 2007<br>HK\$'000 | 2008<br>HK\$'000 | 2009<br>HK\$'000 | 2010<br>HK\$'000 |
| Total assets                                    | 9,344,627        | 12,314,179       | 10,406,181       | 8,537,923        | 8,340,680        |
| Total liabilities                               | (1,683,149)      | (1,972,636)      | (2,480,641)      | (1,828,863)      | (1,484,838)      |
|   | 7,661,478        | 10,341,543       | 7,925,540        | 6,709,060        | 6,855,842        |
| Equity attributable to owners<br>of the Company | 7,567,107        | 10,319,113       | 7,899,505        | 6,681,756        | 6,827,951        |
| Share options reserve of a<br>subsidiary        | 265              | –                | –                | –                | –                |
| Non-controlling interests                       | 94,106           | 22,430           | 26,035           | 27,304           | 27,891           |
|   | 7,661,478        | 10,341,543       | 7,925,540        | 6,709,060        | 6,855,842        |

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. HO, Lawrence Yau Lung  
(*Chairman & Chief Executive Officer*)  
Mr. TSUI Che Yin, Frank  
Mr. CHUNG Yuk Man, Clarence

### Non-executive Director

Mr. NG Ching Wo

### Independent Non-executive Directors

Sir Roger LOBO  
Mr. SHAM Sui Leung, Daniel  
Dr. TYEN Kan Hee, Anthony

## EXECUTIVE COMMITTEE

Mr. HO, Lawrence Yau Lung (*Chairman*)  
Mr. TSUI Che Yin, Frank  
Mr. CHUNG Yuk Man, Clarence  
Mr. TSANG Yuen Wai, Samuel\*  
Mr. TAM Chi Wai, Dennis\*

## AUDIT COMMITTEE

Sir Roger LOBO (*Chairman*)  
Mr. NG Ching Wo  
Mr. SHAM Sui Leung, Daniel  
Dr. TYEN Kan Hee, Anthony

## REMUNERATION COMMITTEE

Mr. SHAM Sui Leung, Daniel (*Chairman*)  
Sir Roger LOBO  
Mr. NG Ching Wo

## NOMINATION COMMITTEE

Mr. NG Ching Wo (*Chairman*)  
Sir Roger LOBO  
Mr. HO, Lawrence Yau Lung

## FINANCE COMMITTEE

Mr. HO, Lawrence Yau Lung (*Chairman*)  
Mr. TSUI Che Yin, Frank  
Mr. CHUNG Yuk Man, Clarence  
Mr. TAM Chi Wai, Dennis\*

## REGULATORY COMPLIANCE COMMITTEE

Mr. HO, Lawrence Yau Lung (*Chairman*)  
Mr. TSUI Che Yin, Frank  
Mr. TSANG Yuen Wai, Samuel\*

## CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Sir Roger LOBO (*Chairman*)  
Mr. HO, Lawrence Yau Lung  
Mr. TSUI Che Yin, Frank  
Mr. CHUNG Yuk Man, Clarence  
Ms. MA Po Ming, Maggie\*

## COMPANY SECRETARY

Mr. TSANG Yuen Wai, Samuel

## QUALIFIED ACCOUNTANT

Mr. TAM Chi Wai, Dennis

## REGISTERED OFFICE

38th Floor  
The Centrium  
60 Wyndham Street  
Central  
Hong Kong

## AUDITOR

Deloitte Touche Tohmatsu

## LEGAL ADVISORS

Richards Butler  
King & Wood

## PRINCIPAL BANKERS

Credit Suisse  
Bank of China, Macau Branch  
UBS AG

## SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

## STOCK CODE

The Stock Exchange of Hong Kong Limited: 200

## WEBSITE

<http://www.melco-group.com>

\* non-voting co-opted members



[www.melco-group.com](http://www.melco-group.com)

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