



# Celebrating **Achievements**



**Interim Report 2010**

**Melco International Development Limited**

A Hong Kong listed company with stock code : 200

[www.melco-group.com](http://www.melco-group.com)



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# MANAGEMENT DISCUSSION & ANALYSIS

## Significant Events and Developments

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

## CORE BUSINESS

### Gaming business in Macau

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

With City of Dreams’ continued enhancements on its mass gaming infrastructure and ongoing initiatives in brand-building, its business mix continued to shift favorably with a greater contribution from the higher-margin mass market segment. VIP gaming volume and mass market gaming volume at City of Dreams continued to show meaningful sequential growth in the second quarter of 2010, with a 24% sequential increase in rolling chip volume and a 9% sequential increase in mass market table gaming





## The House of Dancing Water, the world's newest and most spectacular water extravaganza at City of Dreams



revenue. Customer base continued to show encouraging expansion, with approximately 6 million visitors or an average of approximately 33,300 visitors per day recorded during the period, validating the enhancements made to City of Dreams' mass gaming infrastructure.

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

### **Gaming Machine Revenue Participation Business in Pan Asia**

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

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

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





Government of the Kingdom of Cambodia to Dreamworld Leisure (Cambodia) Limited (“Dreamworld Leisure”), another new wholly-owned subsidiary of EGT. EGT’s business expansion into casino operations marked a significant enhancement of the Group’s gaming portfolio in Asia.

On 23 July 2010, EGT changed its name to Entertainment Gaming Asia Inc. to more aptly reflect EGT’s expanded gaming business model, particularly in relation to the strategy to own and operate casinos in the Indo-China region to complement its existing electronic gaming machines participation business. EGT’s common stock continues to trade on the NYSE American Stock Exchange under the symbol “EGT”.

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

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

## **NON-CORE BUSINESS**

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

During the review period, the Group operated its ski resort business through Melco China Resorts (Holding) Limited (to be renamed as Mountain China Resorts (Holding) Limited subject to finalisation by the TSX Venture Exchange) (“MCR”), which is listed in Canada. On 8 April 2010, MCR completed a private placement with Wisecord Holdings Limited (“WHL”) for the issuance of 100,000,000 new common shares to WHL at C\$0.15 per share. Upon completion of the transactions, the Group’s shareholding in MCR was diluted from 49.3% to 28.8%.

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





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

## ACHIEVEMENTS AND AWARDS

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

### Corporate Governance

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

### Corporate Social Responsibility

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.



## World-class Guest Service

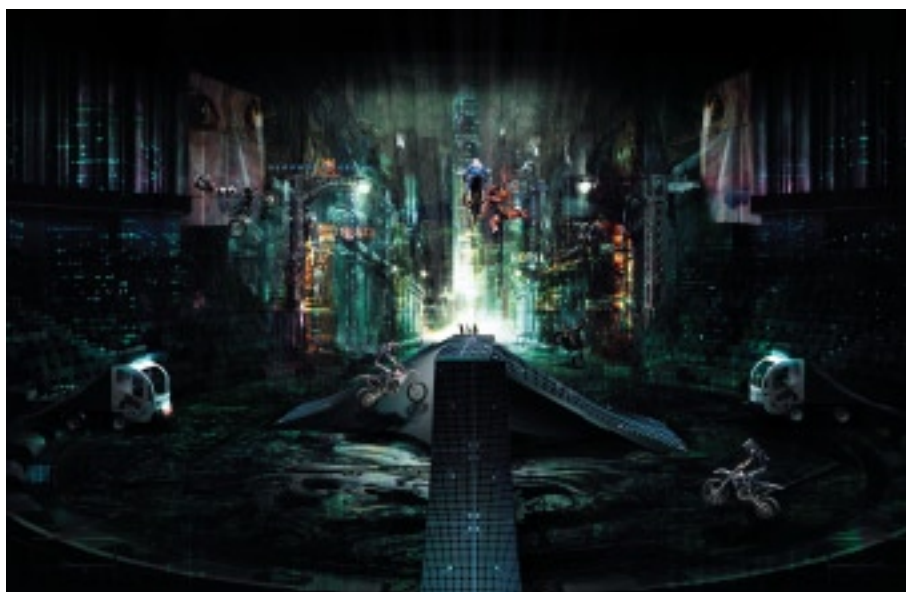
Underscoring its position as a world-class gaming enterprise, Melco Crown Entertainment was awarded the “Best Operator Australasia” at the International Gaming Awards 2010. It was ranked as a “CIO Top 100” honouree by the notable CIO Asia Magazine as well as the Top Winner at IDC Enterprise Innovation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

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

## OUTLOOK

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

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







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

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

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

## **FINANCIAL REVIEW**

To facilitate the review, the segmental information from continuing operations shown in Note 3 and the discontinued operation shown in Note 7 to the Condensed Consolidated Financial Information is reproduced below with some minor re-arrangements:



**Six months ended 30 June**

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





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

## CONTINUING OPERATIONS LEISURE, GAMING AND ENTERTAINMENT

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

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

### **Jumbo Kingdom**

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

### **Others**

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



### Other leisure, gaming and entertainment businesses

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

### PROPERTY AND OTHER INVESTMENTS

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

### DISCONTINUED OPERATION TECHNOLOGY

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

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

### Elixir Technology

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



Kids' City, Macau's largest kids' attraction at City of Dreams





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

### **iAsia Online**

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

### **SHARE OF LOSSES OF ASSOCIATES**

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

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





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

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

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


The combined rolling chip table games hold percentage (calculated before discounts and commissions) across City of Dreams and Altira Macau in the first quarter of 2010 was 2.9% and 2.7% in the second quarter of 2010, which are within the expected hold percentage range of 2.7% to 3.0% for rolling chips. The combined mass market (or non rolling chip) table games hold percentage in the first quarter of 2010 was 19.7% and further improved to 21.5% in the second quarter of 2010, which are above the previous target hold percentage range of 16.0% to 18.0%, but consistent with the mass market hold percentage at mass market focused properties, such as City of Dreams. Going forward, Melco Crown Entertainment targets 18% to 20% for its combined mass market table games hold percentage.

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

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



The upcoming Club CUBIC at City of Dreams



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

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

## **(2) Share of loss of EGT**

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

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

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

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

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

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

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



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

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

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

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

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

#### **(5) Share of profit of iAsia Online**

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

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

#### **(6) Share of profit of Power Way**

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

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

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

#### (7) Share of profit of VC

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

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

#### SHARE OF LOSS OF A JOINTLY CONTROLLED ENTITY

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

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

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

#### LOSS ON DEEMED DISPOSAL OF INTEREST IN AN ASSOCIATE

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

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
	<b>Unaudited</b>	Unaudited
Loss on deemed disposal of interest in Melco Crown Entertainment	<b>(3,712)</b>	(176,421)

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



## **FAIR VALUE CHANGES ON DERIVATIVE FINANCIAL INSTRUMENTS**

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

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

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

## **UNALLOCATED INCOME**

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

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

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

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

## **FINANCE COSTS**

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

## **INCOME TAX EXPENSE**


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

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

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

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





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

As at 30 June 2010, the Group's total convertible loan note amounted to HK\$794.3 million, which was non-interest bearing and due in September 2013. The long term payable to Crown Limited by the Group amounted to HK\$167.2 million, which was unsecured, non-interest bearing and due in May 2012. As at 30 June 2010, the Group's total available bank loan facilities from various banks amounted to HK\$258.4 million (31 December 2009: HK\$216.6 million), of which HK\$58.4 million (31 December 2009: HK\$66.6 million) was secured by pledging HK\$166 million of the Group's investment properties. As at 30 June 2010, the Group utilized HK\$150 million and HK\$58.4 million of unsecured and secured bank loan facilities respectively (31 December 2009: unsecured HK\$150 million; secured HK\$66.6 million). Details of bank borrowings are given in Note 17 to the Condensed Consolidated Financial Information.

## **MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS**

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

### **Deemed Disposal of MCR**

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

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

### **Disposal of 100% Equity Interest in Elixir International Limited**

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



## **HEADCOUNT/EMPLOYEES' INFORMATION**

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

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

## **CONTINGENT LIABILITIES**

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

## **FOREIGN EXCHANGE EXPOSURE**

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

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

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



# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

# Deloitte.

## 德勤

**TO THE BOARD OF DIRECTORS OF MELCO INTERNATIONAL DEVELOPMENT LIMITED**  
*(incorporated in Hong Kong with limited liability)*

### INTRODUCTION

We have reviewed the interim financial information set out on pages 20 to 39, which comprises the condensed consolidated statement of financial position of Melco International Development Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

### CONCLUSION

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

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong  
30 August 2010

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Notes	Six months ended 30 June	
		2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
<b>Continuing operations</b>			
Revenue	3	62,124	69,172
Other income		10,410	30,452
Investment income		327	2,643
Purchase and changes in inventories of finished goods		(15,696)	(11,104)
Employee benefits expense		(47,592)	(51,306)
Depreciation of property, plant and equipment		(4,827)	(7,104)
Loss on deemed disposal of interest in an associate	4	(3,712)	(176,421)
Fair value changes on derivative financial instruments		(34)	(30)
Fair value change on investment in convertible loan note	14	(5,236)	77,629
Loss on disposal of available-for-sale investments		–	(1,172)
Share of loss of a jointly controlled entity		–	(155,351)
Share of losses of associates	12	(101,997)	(511,713)
Other expenses		(50,379)	(31,040)
Finance costs		(50,721)	(49,889)
Loss for the period from continuing operations	5	(207,333)	(815,234)
<b>Discontinued operation</b>			
(Loss) profit for the period from discontinued operation	7	(10,646)	3,871
Loss for the period		(217,979)	(811,363)

		<b>Six months ended 30 June</b>	
		<b>2010</b>	2009
Note		<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
<b>Other comprehensive income</b>			
Exchange differences arising on translation of foreign operations		(19)	88
Share of other comprehensive income of associates		24,845	14,941
Share of other comprehensive income of a jointly controlled entity		—	43,763
Other comprehensive income for the period		<u>24,826</u>	<u>58,792</u>
Total comprehensive loss for the period		<u>(193,153)</u>	<u>(752,571)</u>
Loss for the period attributable to:			
Owners of the Company		(218,151)	(811,890)
Non-controlling interests		172	527
		<u>(217,979)</u>	<u>(811,363)</u>
Total comprehensive loss for the period attributable to:			
Owners of the Company		(193,325)	(753,098)
Non-controlling interests		172	527
		<u>(193,153)</u>	<u>(752,571)</u>
Loss per share – Basic and diluted		9	
From continuing and discontinued operations		<u>(HK17.75 cents)</u>	<u>(HK66.14 cents)</u>
From continuing operations		<u>(HK16.88 cents)</u>	<u>(HK66.45 cents)</u>



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2010

	Notes	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000
<b>Non-current assets</b>			
Investment properties	10 & 11	166,000	166,000
Property, plant and equipment	10	26,436	32,524
Other intangible assets		2,000	2,000
Interests in associates	12	6,289,048	6,370,847
Amounts due from associates	13	649,872	627,321
Available-for-sale investments		8,829	8,829
Investment in convertible loan note	14	252,503	257,739
Goodwill		–	4,113
Long term receivable		–	4,000
		<b>7,394,688</b>	<b>7,473,373</b>
<b>Current assets</b>			
Inventories		2,703	6,581
Trade receivables	15	4,145	62,530
Prepayment, deposits and other receivables		27,583	91,512
Held-for-trading investments		223	300
Derivative financial instruments		–	34
Amounts due from associates	13	10,551	34,827
Pledged bank deposits	11	947	7,988
Bank deposits with original maturity over three months		775,653	707,024
Bank balances and cash		45,996	153,754
		<b>867,801</b>	<b>1,064,550</b>
Assets classified as held for sale	7	79,580	–
		<b>947,381</b>	<b>1,064,550</b>

	Notes	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000
<b>Current liabilities</b>			
Trade payables	16	2,374	110,313
Other payables		23,914	56,191
Dividend payable		86	86
Taxation payables		971	721
Financial guarantee liability	22	163,920	146,188
Bank borrowings – due within one year	17	16,400	166,400
Convertible loan note – due within one year	19	–	1,128,227
		<u>207,665</u>	<u>1,608,126</u>
Liabilities associated with assets classified as held for sale	7	75,891	–
		<u>283,556</u>	<u>1,608,126</u>
<b>Net current assets (liabilities)</b>		<b>663,825</b>	<b>(543,576)</b>
<b>Total assets less current liabilities</b>		<b>8,058,513</b>	<b>6,929,797</b>
<b>Non-current liabilities</b>			
Bank borrowings – due after one year	17	192,000	50,200
Long term payable	18	167,220	170,537
Convertible loan note – due after one year	19	794,293	–
Deferred tax liability		68,767	–
		<u>1,222,280</u>	<u>220,737</u>
		<u>6,836,233</u>	<u>6,709,060</u>
<b>Capital and reserves</b>			
Share capital	20	615,221	615,130
Reserves		6,193,536	6,066,626
Equity attributable to owners of the Company		<u>6,808,757</u>	<u>6,681,756</u>
Non-controlling interests		27,476	27,304
		<u>6,836,233</u>	<u>6,709,060</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2010


	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Special reserve HK\$'000	Convertible loan note equity reserve HK\$'000	Property revaluation reserve HK\$'000	Other revaluation reserve HK\$'000	Other reserve HK\$'000	Exchange reserve HK\$'000	Legal reserve HK\$'000	Share options reserve HK\$'000	Share award schemes HK\$'000	Share award reserve HK\$'000	Accumulated profits HK\$'000	Attributable to owners of the Company HK\$'000	Attributable to non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2009	614,666	3,131,442	271,463	(69,950)	307,253	5,796	28,948	(103,794)	(8,183)	254	32,638	(21,088)	4,138	3,705,922	7,895,505	26,035	7,925,540
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	88	-	-	-	-	-	88	-	88
Share of other comprehensive income of associates	-	-	-	-	-	-	-	7,394	7,394	-	-	-	-	-	14,941	-	14,941
Share of other comprehensive income of a jointly controlled entity	-	-	-	-	-	-	43,763	-	-	-	-	-	-	-	43,763	-	43,763
Other comprehensive income for the period (Loss) profit for the period	-	-	-	-	-	-	43,763	7,547	7,482	-	-	-	-	(811,890)	(811,890)	527	(811,363)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	43,763	7,547	7,482	-	-	-	-	(811,890)	(753,098)	527	(752,571)
Exercise of share options	166	507	-	-	-	-	-	-	-	-	-	-	-	-	673	-	673
Realisation of special reserve and other revaluation reserve upon deemed disposal of partial interest in an associate	-	-	-	6,933	-	-	(2,869)	-	-	-	-	-	-	2,869	6,933	-	8,933
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	-	-	-	8,614	-	3,226	-	11,840	-	11,840
Transfer to share premium upon exercise of share option	-	383	-	-	-	-	-	-	-	-	(383)	-	-	-	-	-	-
Transfer of share option reserve upon expiry of share options	-	-	-	-	-	-	-	(56)	-	-	(56)	-	-	56	-	-	-
Issue of shares for unvested shares under the share subscription scheme	220	-	-	-	-	-	-	-	-	-	-	(220)	-	-	-	-	-
Shares vested under the share award schemes	-	-	-	-	-	-	-	-	-	-	-	5,548	(4,174)	(1,374)	-	-	-
At 30 June 2009 (unaudited)	615,052	3,132,332	271,463	(63,017)	307,253	5,796	69,942	(95,247)	(701)	254	40,813	(15,760)	3,190	2,895,593	7,165,853	26,562	7,192,415

	Convertible				Shares held				Attributable		Total					
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Special reserve HK\$'000	loan note equity reserve HK\$'000	Property revaluation reserve HK\$'000	Other revaluation reserve HK\$'000	Other reserve HK\$'000	Exchange reserve HK\$'000	Legal reserve HK\$'000		Share options reserve HK\$'000	Share award reserve HK\$'000	Accumulated profits HK\$'000	Company HK\$'000	to non-controlling interests HK\$'000
At 1 January 2010	615,130	3,132,743	271,463	(61,816)	307,253	5,796	200,631	(87,192)	3,556	254	46,577	(13,251)	2,556,578	6,687,756	27,304	6,709,060
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	(19)	-	-	-	-	(19)	-	(19)
Share of other comprehensive income of associates	-	-	-	-	-	-	-	24,845	-	-	-	-	-	24,845	-	24,845
Other comprehensive income (loss) for the period (Loss)/profit for the period	-	-	-	-	-	-	-	24,845	(19)	-	-	-	(218,151)	(218,151)	172	(217,979)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	-	24,845	(19)	-	-	-	(218,151)	(193,325)	172	(193,153)
Exercise of share options	91	290	-	-	-	-	-	-	-	-	-	-	-	381	-	381
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)
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	-	-	-	8,290	784	-	9,074	-	9,074
Transfer to share premium upon exercise of share option	-	-	-	-	-	-	-	-	-	-	(219)	-	-	-	-	-
Transfer of share options reserve upon expiry of share options/lapse of share award	-	-	-	-	-	-	-	-	-	-	(166)	(17)	183	-	-	-
Shares vested under the share award schemes	-	-	-	-	-	-	-	-	-	-	-	6,281	(4,276)	-	-	-
At 30 June 2010 (unaudited)	615,221	3,133,252	271,463	(61,816)	323,818	5,796	200,631	(62,947)	3,537	254	54,482	(6,560)	2,330,901	6,088,757	27,476	6,886,233

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Note	Six months ended 30 June	
		2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Net cash used in operating activities		<b>(15,434)</b>	(69,218)
Net cash (used in) from investing activities:			
Increase in bank deposits with original maturity over three months		<b>(68,629)</b>	(300,842)
Decrease in pledged bank deposits		<b>1,250</b>	670,128
Proceeds from disposal of available-for-sale investments		–	26,517
Repayment from an associate		–	23,693
Advance to a jointly controlled entity		–	(350,100)
Net cash outflow from disposal of a subsidiary	7	–	(12,819)
Other investing cash flows		<b>4,396</b>	(3,704)
		<b>(62,983)</b>	52,873
Net cash used in financing activities:			
Repayments of bank borrowings		<b>(8,200)</b>	(88,200)
Advance from a shareholder		–	300,000
Repayment to a shareholder		–	(300,000)
Other financing cash flows		<b>(1,985)</b>	(18,555)
		<b>(10,185)</b>	(106,755)
Net decrease in cash and cash equivalents		<b>(88,602)</b>	(123,100)
Cash and cash equivalents at the beginning of the period		<b>153,754</b>	239,875
Cash and cash equivalents at the end of the period, represented by bank balances and cash		<b>65,152</b>	116,775



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

## 1. BASIS OF PREPARATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

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

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

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



### 3. REVENUE AND SEGMENT INFORMATION

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

- (1) Leisure, Gaming and Entertainment Segment: It mainly comprises of provision of catering, entertainment, gaming and related services.
- (2) Property and Other Investments Segment: It mainly comprises of property investments and other investments.

Information regarding the above segments is reported below.

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

Six months ended 30 June 2010 (unaudited):

#### Continuing operations

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

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

Six months ended 30 June 2009 (unaudited):

**Continuing operations**

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

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

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

#### 4. LOSS ON DEEMED DISPOSAL OF INTEREST IN AN ASSOCIATE

- (i) During the period ended 30 June 2010, the Group's ownership interest in its associate, Melco Crown Entertainment Limited ("Melco Crown Entertainment"), decreased from 33.45% to 33.43%, as a result of the vesting of certain restricted shares issued by Melco Crown Entertainment. The Group therefore recognised a loss of approximately HK\$3,712,000 which represents the decrease in net assets attributable to the Group during the period ended 30 June 2010.
- (ii) During the period ended 30 June 2009, the Group's ownership interest in its associate, Melco Crown Entertainment, decreased from 37.83% to 34.10%, as a result of (a) a follow-on public offering of shares of Melco Crown Entertainment and (b) the vesting of certain restricted shares issued by Melco Crown Entertainment. The Group therefore recognised a loss of approximately HK\$176,421,000 which represented the decrease in net assets attributable to the Group during the period ended 30 June 2009.

#### 5. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

	Six months ended 30 June	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Loss for the period from continuing operations has been arrived at after charging:		
Loss from fair value change of held-for-trading investments	77	—
Increase in provision under financial guarantee contract (note 22)	17,732	—
and after crediting:		
Dividend income from unlisted investments	405	648
Dividend income from listed investments	—	1,928
Gain from fair value change of held-for-trading investments	—	68

#### 6. INCOME TAX EXPENSE

##### Continuing operations

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

#### 7. DISCONTINUED OPERATION

##### (a) Disposal group held for sale

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

##### (b) Disposal of a subsidiary

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

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

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

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

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

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

	HK\$'000
Property, plant and equipment	1,312
Deferred tax assets	117
Trade and other receivables	6,833
Amounts due from group companies	100
Amounts due from associates	3,822
Bank balances and cash	12,819
Trade and other payables	(12,903)
Amounts due to group companies	(116)
	<hr/>
Net assets attributable to interests disposed of	11,984
Attributable goodwill	4,442
	<hr/>
	16,426
Loss on disposal	(1,804)
Interests in associates	(2,622)
	<hr/>
Total consideration	<u>12,000</u>
Satisfied by:	
Consideration receivables	<u>12,000</u>
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	<u>(12,819)</u>

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

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

Cash flows from ELI and iAsia Group:

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

## 8. DIVIDEND

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

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

## 9. LOSS PER SHARE

### From continuing and discontinued operations

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

	Six months ended 30 June	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
<b>Loss</b>		
Loss for the purpose of basic and diluted loss per share (Loss for the period attributable to owners of the Company)	<b>(218,151)</b>	(811,890)
	Six months ended 30 June	
	2010 (unaudited)	2009 (unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<b>1,229,088,690</b>	1,227,556,496

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



### From continuing operations

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

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

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

### For discontinued operation

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

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

During the current period, the Group spent approximately HK\$133,000 mainly on leasehold improvement and furniture, fixtures and equipment for the Group's office premises.

All of the Group's property interests held under operating leases to earn rentals and/or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. As at 30 June 2010, the carrying amount of such property interests amounted to approximately HK\$166,000,000 (31 December 2009: HK\$166,000,000).

The fair values of the Group's investment properties as at 30 June 2010 have been determined by the directors of the Company. No valuation has been performed by independent qualified professional valuers. The valuation performed by the directors of the Company was arrived at by reference to recent market prices for similar properties.

## 11. PLEDGE OF ASSETS

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

- The Group's bank deposit and investment properties which amounted to approximately HK\$947,000 (31 December 2009: HK\$947,000) and HK\$166,000,000 (31 December 2009: HK\$166,000,000), respectively, were pledged for obtaining the banking facilities for certain subsidiaries of the Group.
- The Group's bank deposit of approximately HK\$5,791,000 (31 December 2009: HK\$7,041,000) was pledged to a bank for the completion of a sale agreement with a customer. This pledge of bank deposit is released subsequent to the period ended 30 June 2010.

## 12. INTERESTS IN ASSOCIATES

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

## 13. AMOUNTS DUE FROM ASSOCIATES

Included in amounts due from associates are:

- i) amount due from an associate of approximately HK\$578,578,000 (31 December 2009: HK\$578,578,000) which is unsecured, interest bearing at Hong Kong Interbank Offered Rates ("HIBOR") (31 December 2009: HIBOR) per annum and not repayable within twelve months from the end of the reporting period. This associate continues to expand its gaming business in Macau and the Group considers no impairment on the amount due from this associate;
- ii) amount due from an associate of approximately HK\$71,294,000 (31 December 2009: HK\$73,076,000) which is unsecured and interest bearing at 5% per annum. During the period ended 30 June 2010, the Group has agreed with the associate to revise the repayment schedules and the amount due from this associate of HK\$71,294,000 will be repayable after twelve months from the end of the reporting period. At 31 December 2009, approximately HK\$24,333,000 out of the HK\$73,076,000 was repayable within twelve months from the end of the reporting period and the remaining HK\$48,743,000 was repayable after twelve months from the end of the reporting period. The Group has reviewed the financial position and the bank facilities available to this associate and considers no impairment on the amount due from this associate; and
- iii) amount due from an associate of approximately HK\$178,940,000 (31 December 2009: HK\$190,610,000) less impairment loss recognised of HK\$178,940,000 (31 December 2009: HK\$189,506,000). As at 30 June 2010, amount due from an associate of approximately HK\$178,940,000 is unsecured, interest bearing at 3% per annum and repayable on 31 March 2013. Pursuant to the agreement signed between the Group, MCR and a shareholder of MCR ("MCR Shareholder"), the MCR Shareholder has a right to require the Group to convert all or part of the amount due from the associate of approximately HK\$178,940,000 at 50% discount plus accrued interest at a price (the "Conversion Price") equal to (a) 70% of MCR's 30 consecutive day weighted average trading price or (b) C\$1.0 whichever is greater if the above weighted average trading price exceeds of C\$1.0; and the MCR Shareholder has an option to buy one-third of the converted shares referred to above from the Group at the Conversion Price within 30 days of the conversion.

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

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

## 14. INVESTMENT IN CONVERTIBLE LOAN NOTE

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

## 15. TRADE RECEIVABLES

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

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

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

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

## 16. TRADE PAYABLES

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

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

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

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

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

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

## 18. LONG TERM PAYABLE

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

During the period ended 30 June 2010, the repayment date of the long term payable of HK\$180,000,000 has been extended from May 2011 to May 2012 (31 December 2009: from May 2010 to May 2011) such that a gain of approximately HK\$6,655,000 (six months ended 30 June 2009: a gain of HK\$4,650,000) was recognised in profit or loss as other income. As at 30 June 2010, the effective interest rate of the long term payable is 3.1% (31 December 2009: 3.1%) per annum.

## 19. CONVERTIBLE LOAN NOTE

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

On 18 February 2010, pursuant to the Deed of Amendment, which is entered into between the Company and the holder of the convertible loan note, the maturity date of convertible loan note is extended from 4 September 2010 to 4 September 2013, the conversion price is reduced from HK\$9.965 per share to HK\$3.93 per share and early redemption option is granted to the Company and the holder of the convertible loan note. The early redemption option of the Company allows the Company to redeem all or part of the outstanding convertible loan note at any time prior to the maturity date at par. The early redemption option of the holder of the convertible loan note only allows the holder to require the Company to redeem the convertible loan note at par if (a) the Company's major shareholder, Mr. Lawrence Ho, ceases to hold at least 30% of issued shares of the Company; (b) a general offer by way of takeover is made to all or substantially all the holders of shares in the Company and such offer becomes or is declared unconditional; or (c) a privatisation proposal by way of scheme of arrangement is made and approved by the necessary numbers of shareholders of the Company at the requisite meetings.

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

## 20. SHARE CAPITAL

	Number of ordinary shares		Amount	
	30 June 2010 (unaudited)	31 December 2009	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000
Authorised:				
At the beginning and end of the period/year of HK\$0.5 each	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:				
At the beginning of the period/year of HK\$0.5 each	<b>1,230,258,939</b>	1,229,331,116	<b>615,130</b>	614,666
Exercise of share options	<b>183,834</b>	487,823	<b>91</b>	244
Issue of new shares for vested shares under the share subscription scheme	–	440,000	–	220
At the end of the period/year of HK\$0.5 each	<u><b>1,230,442,773</b></u>	<u>1,230,258,939</u>	<u><b>615,221</b></u>	<u>615,130</u>

The shares issued during the period/year rank pari passu in all respects with the then existing shares. As at 30 June 2010, the Company's 703,885 (31 December 2009: 1,339,813) and 137,502 (31 December 2009: 261,672) issued shares with aggregate nominal value of approximately HK\$352,000 (31 December 2009: HK\$670,000) and HK\$69,000 (31 December 2009: HK\$131,000), respectively, were held by the Company's share purchase scheme and share subscription scheme, respectively.

## 21. RELATED PARTY TRANSACTIONS

- (a) Included in assets classified as held for sale, the trade receivables include amounts due from related companies and associates in relation to implementation of technology solution system of approximately HK\$11,827,000 (31 December 2009: HK\$27,947,000) and HK\$3,574,000 (31 December 2009: HK\$16,911,000), respectively.
- (b) Included in liabilities associated with assets classified as held for sale, the other payables include deposits received from related companies and associates in relation to implementation of technology solution system of approximately HK\$10,433,000 and HK\$329,000 (31 December 2009: HK\$14,060,000 and HK\$457,000), respectively.
- (c) As at 30 June 2010 and 31 December 2009, the Group has a convertible loan note with principal amount of HK\$1,175,000,000 issued to a related company.
- (d) Significant related party transactions are as follows:

	<b>Six months ended 30 June</b>	
	<b>2010</b> <b>HK\$'000</b> <b>(unaudited)</b>	2009 HK\$'000 (unaudited)
Catering income earned from directors and related companies	<b>3,367</b>	3,765
Sales of technology solution system to related companies	<b>26,321</b>	10,226
Sales of technology solution system to associates	<b>19,384</b>	340,014
Interest expense on shareholder's loan	–	12,077
Effective interest expense on convertible loan note issued to a related company	<b>45,704</b>	33,183
Service income from related companies	<b>5,109</b>	4,599
Service income from associates	<b>4,735</b>	7,659
Loan interest income received from associates	<b>5,845</b>	12,940
Rental income received from an associate	<b>2,073</b>	1,885

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

## 22. CONTINGENT LIABILITIES

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

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

As disclosed in note 7 above, the Group entered into a sale agreement to dispose of its 100% equity interest in ELI, which carried out the Group's technology business. The purpose of the disposal is to streamline and focus the Group's business on the leisure and entertainment segment. The disposal of ELI was completed on 16 July 2010 and the resulted loss on disposal of ELI is approximately HK\$3,500,000.



# OTHER INFORMATION

## INTERIM DIVIDEND

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

## DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the six months ended 30 June 2010 or at any time during such period.

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

As at 30 June 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 pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

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

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

Name of Director	Capacity	Nature of interest	Number of ordinary shares held	Approximate % of issued share capital	Note
Mr. Ho, Lawrence Yau Lung	Held by controlled corporations	Corporate	411,335,630	33.43%	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%	–

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

Name of Director	Number of share options			Outstanding at 30 June 2010	Approximate % of issued share capital	Date of grant	Exercisable period	Exercise price HK\$
	Outstanding at 1 January 2010	Granted during the period	Exercised during the period					
Mr. Ho, Lawrence	230,840	-	-	230,840	0.02%	01.04.2008	01.04.2009 – 31.03.2018	10.804
Yau Lung	230,840	-	-	230,840	0.02%	01.04.2008	01.04.2010 – 31.03.2018	10.804
	230,840	-	-	230,840	0.02%	01.04.2008	01.04.2011 – 31.03.2018	10.804
	89,333	-	-	89,333	0.01%	17.12.2008	01.02.2009 – 16.12.2018	2.02
	89,333	-	-	89,333	0.01%	17.12.2008	01.05.2009 – 16.12.2018	2.02
	89,333	-	-	89,333	0.01%	17.12.2008	01.08.2009 – 16.12.2018	2.02
	89,333	-	-	89,333	0.01%	17.12.2008	01.11.2009 – 16.12.2018	2.02
	89,333	-	-	89,333	0.01%	17.12.2008	01.02.2010 – 16.12.2018	2.02
	89,335	-	-	89,335	0.01%	17.12.2008	01.05.2010 – 16.12.2018	2.02
	76,500	-	-	76,500	0.01%	03.04.2009	03.04.2010 – 02.04.2019	2.99
	76,500	-	-	76,500	0.01%	03.04.2009	03.04.2011 – 02.04.2019	2.99
	77,000	-	-	77,000	0.01%	03.04.2009	03.04.2012 – 02.04.2019	2.99
	-	200,000	-	200,000	0.02%	07.04.2010	07.04.2010 – 06.04.2020	3.76
	-	242,000	-	242,000	0.02%	07.04.2010	07.04.2011 – 06.04.2020	3.76
	-	242,000	-	242,000	0.02%	07.04.2010	07.04.2012 – 06.04.2020	3.76
	-	244,000	-	244,000	0.02%	07.04.2010	07.04.2013 – 06.04.2020	3.76
	-	200,000	-	200,000	0.02%	07.04.2010	07.04.2014 – 06.04.2020	3.76
	-	200,000	-	200,000	0.02%	07.04.2010	07.04.2015 – 06.04.2020	3.76
	1,458,520	1,328,000	-	2,786,520	0.27%			
Mr. Tsui Che Yin, Frank	104,000	-	-	104,000	0.01%	01.04.2008	01.04.2009 – 31.03.2018	10.804
	104,000	-	-	104,000	0.01%	01.04.2008	01.04.2010 – 31.03.2018	10.804
	104,000	-	-	104,000	0.01%	01.04.2008	01.04.2011 – 31.03.2018	10.804
	91,000	-	-	91,000	0.01%	17.12.2008	01.02.2009 – 16.12.2018	2.02
	91,000	-	-	91,000	0.01%	17.12.2008	01.05.2009 – 16.12.2018	2.02
	91,000	-	-	91,000	0.01%	17.12.2008	01.08.2009 – 16.12.2018	2.02
	91,000	-	-	91,000	0.01%	17.12.2008	01.11.2009 – 16.12.2018	2.02
	91,000	-	-	91,000	0.01%	17.12.2008	01.02.2010 – 16.12.2018	2.02
	91,000	-	-	91,000	0.01%	17.12.2008	01.05.2010 – 16.12.2018	2.02
	50,000	-	-	50,000	0.00%	03.04.2009	03.04.2010 – 02.04.2019	2.99
	50,000	-	-	50,000	0.00%	03.04.2009	03.04.2011 – 02.04.2019	2.99
	60,000	-	-	60,000	0.00%	03.04.2009	03.04.2012 – 02.04.2019	2.99
	-	166,000	-	166,000	0.01%	07.04.2010	07.04.2010 – 06.04.2020	3.76
	-	232,000	-	232,000	0.02%	07.04.2010	07.04.2011 – 06.04.2020	3.76
	-	232,000	-	232,000	0.02%	07.04.2010	07.04.2012 – 06.04.2020	3.76
	-	232,000	-	232,000	0.02%	07.04.2010	07.04.2013 – 06.04.2020	3.76
	-	166,000	-	166,000	0.01%	07.04.2010	07.04.2014 – 06.04.2020	3.76
	-	170,000	-	170,000	0.01%	07.04.2010	07.04.2015 – 06.04.2020	3.76
	1,018,000	1,198,000	-	2,216,000	0.18%			

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

Name of Director	Number of share options			Outstanding at 30 June 2010	Approximate % of issued share capital	Date of grant	Exercisable period	Exercise price HK\$	
	Outstanding at 1 January 2010	Granted during the period	Exercised during the period						
Mr. Chung Yuk Man, Clarence	200,000	-	-	200,000	0.02%	01.02.2005	17.09.2009 – 07.03.2012	7.4	
	130,000	-	-	130,000	0.01%	13.02.2006	01.04.2008 – 31.01.2016	11.8	
	130,000	-	-	130,000	0.01%	13.02.2006	01.04.2010 – 31.01.2016	11.8	
	140,000	-	-	140,000	0.01%	13.02.2006	01.04.2012 – 31.01.2016	11.8	
	104,000	-	-	104,000	0.01%	01.04.2008	01.04.2009 – 31.03.2018	10.804	
	104,000	-	-	104,000	0.01%	01.04.2008	01.04.2010 – 31.03.2018	10.804	
	104,000	-	-	104,000	0.01%	01.04.2008	01.04.2011 – 31.03.2018	10.804	
	91,000	-	-	91,000	0.01%	17.12.2008	01.02.2009 – 16.12.2018	2.02	
	91,000	-	-	91,000	0.01%	17.12.2008	01.05.2009 – 16.12.2018	2.02	
	91,000	-	-	91,000	0.01%	17.12.2008	01.08.2009 – 16.12.2018	2.02	
	91,000	-	-	91,000	0.01%	17.12.2008	01.11.2009 – 16.12.2018	2.02	
	91,000	-	-	91,000	0.01%	17.12.2008	01.02.2010 – 16.12.2018	2.02	
	91,000	-	-	91,000	0.01%	17.12.2008	01.05.2010 – 16.12.2018	2.02	
	50,000	-	-	50,000	0.00%	03.04.2009	03.04.2010 – 02.04.2019	2.99	
	50,000	-	-	50,000	0.00%	03.04.2009	03.04.2011 – 02.04.2019	2.99	
	60,000	-	-	60,000	0.00%	03.04.2009	03.04.2012 – 02.04.2019	2.99	
	-	166,000	-	166,000	0.01%	07.04.2010	07.04.2010 – 06.04.2020	3.76	
	-	232,000	-	232,000	0.02%	07.04.2010	07.04.2011 – 06.04.2020	3.76	
	-	232,000	-	232,000	0.02%	07.04.2010	07.04.2012 – 06.04.2020	3.76	
	-	232,000	-	232,000	0.02%	07.04.2010	07.04.2013 – 06.04.2020	3.76	
-	166,000	-	166,000	0.01%	07.04.2010	07.04.2014 – 06.04.2020	3.76		
-	170,000	-	170,000	0.01%	07.04.2010	07.04.2015 – 06.04.2020	3.76		
	1,618,000	1,198,000	-	2,816,000	0.23%				
Sir Roger Lobo	100,000	-	-	100,000	0.01%	03.04.2006	03.04.2008 – 02.04.2016	15.87	
	100,000	-	-	100,000	0.01%	03.04.2006	03.04.2010 – 02.04.2016	15.87	
	100,000	-	-	100,000	0.01%	03.04.2006	03.04.2012 – 02.04.2016	15.87	
	17,000	-	-	17,000	0.00%	28.02.2008	01.04.2009 – 27.02.2018	11.5	
	17,000	-	-	17,000	0.00%	28.02.2008	01.04.2010 – 27.02.2018	11.5	
	17,000	-	-	17,000	0.00%	28.02.2008	01.04.2011 – 27.02.2018	11.5	
	30,000	-	-	30,000	0.00%	03.04.2009	03.04.2010 – 02.04.2019	2.99	
	30,000	-	-	30,000	0.00%	03.04.2009	03.04.2011 – 02.04.2019	2.99	
	31,000	-	-	31,000	0.00%	03.04.2009	03.04.2012 – 02.04.2019	2.99	
	-	20,000	-	20,000	0.00%	07.04.2010	07.04.2011 – 06.04.2020	3.76	
	-	20,000	-	20,000	0.00%	07.04.2010	07.04.2012 – 06.04.2020	3.76	
	-	20,000	-	20,000	0.00%	07.04.2010	07.04.2013 – 06.04.2020	3.76	
		442,000	60,000	-	502,000	0.03%			

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

Name of Director	Number of share options			Outstanding at 30 June 2010	Approximate % of issued share capital	Date of grant	Exercisable period	Exercise price HK\$
	Outstanding at 1 January 2010	Granted during the period	Exercised during the period					
Mr. Sham Sui Leung, Daniel	17,000	-	-	17,000	0.00%	28.02.2008	01.04.2009 – 27.02.2018	11.5
	17,000	-	-	17,000	0.00%	28.02.2008	01.04.2010 – 27.02.2018	11.5
	17,000	-	-	17,000	0.00%	28.02.2008	01.04.2011 – 27.02.2018	11.5
	30,000	-	-	30,000	0.00%	03.04.2009	03.04.2010 – 02.04.2019	2.99
	30,000	-	-	30,000	0.00%	03.04.2009	03.04.2011 – 02.04.2019	2.99
	31,000	-	-	31,000	0.00%	03.04.2009	03.04.2012 – 02.04.2019	2.99
	-	20,000	-	20,000	0.00%	07.04.2010	07.04.2011 – 06.04.2020	3.76
	-	20,000	-	20,000	0.00%	07.04.2010	07.04.2012 – 06.04.2020	3.76
	-	20,000	-	20,000	0.00%	07.04.2010	07.04.2013 – 06.04.2020	3.76
		<u>142,000</u>	<u>60,000</u>	<u>-</u>	<u>202,000</u>	<u>0.00%</u>		
Mr. Ng Ching Wo	100,000	-	-	100,000	0.01%	03.04.2006	03.04.2008 – 02.04.2016	15.87
	100,000	-	-	100,000	0.01%	03.04.2006	03.04.2010 – 02.04.2016	15.87
	100,000	-	-	100,000	0.01%	03.04.2006	03.04.2012 – 02.04.2016	15.87
	17,000	-	-	17,000	0.00%	28.02.2008	01.04.2009 – 27.02.2018	11.5
	17,000	-	-	17,000	0.00%	28.02.2008	01.04.2010 – 27.02.2018	11.5
	17,000	-	-	17,000	0.00%	28.02.2008	01.04.2011 – 27.02.2018	11.5
	30,000	-	-	30,000	0.00%	03.04.2009	03.04.2010 – 02.04.2019	2.99
	30,000	-	-	30,000	0.00%	03.04.2009	03.04.2011 – 02.04.2019	2.99
	31,000	-	-	31,000	0.00%	03.04.2009	03.04.2012 – 02.04.2019	2.99
	-	20,000	-	20,000	0.00%	07.04.2010	07.04.2011 – 06.04.2020	3.76
	-	20,000	-	20,000	0.00%	07.04.2010	07.04.2012 – 06.04.2020	3.76
	-	20,000	-	20,000	0.00%	07.04.2010	07.04.2013 – 06.04.2020	3.76
		<u>442,000</u>	<u>60,000</u>	<u>-</u>	<u>502,000</u>	<u>0.03%</u>		
<b>Total</b>	<b><u>5,120,520</u></b>	<b><u>3,904,000</u></b>	<b><u>-</u></b>	<b><u>9,024,520</u></b>	<b><u>0.74%</u></b>			

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

Name of Director	Number of awarded shares			Outstanding at 30 June 2010	Approximate % of issued share capital	Date of award	Vesting date
	Outstanding at 1 January 2010	Awarded during the period	Vested during the period				
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%		

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

Name of Director	Number of awarded shares			Outstanding at 30 June 2010	Approximate % of issued share capital	Date of award	Vesting date
	Outstanding at 1 January 2010	Awarded during the period	Vested during the period				
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%		
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%		
<b>Total</b>	<b>589,773</b>	<b>–</b>	<b>(486,273)</b>	<b>103,500</b>	<b>0.006%</b>		

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

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

Notes:

- As at 30 June 2010, the total number of issued shares of the Company was 1,230,442,773.
- 115,509,024 shares of the Company are held by Lasting Legend Ltd., representing approximately 9.39% of the issued share capital of the Company, 288,532,606 shares of the Company are held by Better Joy Overseas Ltd., representing approximately 23.45% of the issued share capital of the Company and 7,294,000 shares of the Company are held by The L3G Capital Trust, representing approximately 0.59% of the issued share capital of the Company. Lasting Legend Ltd., Better Joy Overseas Ltd. and The L3G Capital Trust are owned by persons, companies and/or trusts associated with Mr. Ho, Lawrence Yau Lung.



3. Pursuant to an agreement dated 11 May 2005 entered into between Great Respect Limited, 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 future exercise of the conversion rights under the Amended Convertible Loan Notes in full 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 would 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 family members. SG Trust (Asia) Ltd. is the trustee of the aforesaid discretionary family trust.

**(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

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of ordinary shares of Melco Crown Entertainment held</b>	<b>Approximate % of issued share capital of Melco Crown Entertainment</b>	<b>Note</b>
Mr. Ho, Lawrence Yau Lung	Held by controlled corporations	544,496,156	34.10%	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*

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of restricted shares of Melco Crown Entertainment held</b>	<b>Approximate % of issued share capital of Melco Crown Entertainment</b>	<i>Note</i>
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

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

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of stock options of Melco Crown Entertainment held</b>	<b>Approximate % of issued share capital of Melco Crown Entertainment</b>	<i>Note</i>
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:*

1. As at 30 June 2010, the total number of issued shares of Melco Crown Entertainment was 1,596,748,456.
2. Mr. Ho, Lawrence Yau Lung is taken to be interested in (i) 533,750,000 shares of Melco Crown Entertainment which are being held by Melco Leisure and Entertainment Group Limited ("Melco Leisure"), a wholly owned subsidiary of the Company; (ii) 10,746,156 shares of Melco Crown Entertainment which are being held by Melco Crown SPV Limited, a company which is owned by Melco Leisure as to 50%, as a result of him being beneficially interested in approximately 34.09% of the issued share capital of the Company which in turn holds approximately 34.10% of the issued share capital of Melco Crown Entertainment.
3. The personal interests of these directors represent their interests in Melco Crown Entertainment comprising the restricted shares which were granted to them by Melco Crown Entertainment on 18 March 2008.

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.



4. The personal interests of these directors represent their interests in Melco Crown Entertainment comprising the restricted shares which were granted to them by Melco Crown Entertainment on 17 March 2009.

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.

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 ordinary 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.

**(B) Melco China Resorts (Holding) Limited (to be renamed as Mountain China Resorts (Holding) Limited, subject to finalisation by the TSX Venture Exchange) ("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 30 June 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 34.09% 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.

**(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	39.52%	2
Mr. Chung Yuk Man, Clarence	Beneficial owner	625,000	0.54%	–

(b) Warrants issued by EGT

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of underlying shares of EGT held</b>	<b>Approximate % of issued share capital of EGT</b>	<i>Notes</i>
Mr. Ho, Lawrence Yau Lung	Held by controlled corporations	10,000,000	8.63%	2 & 3

(c) Stock options granted by EGT

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of stock options of EGT held</b>	<b>Approximate % of issued share capital of EGT</b>	<i>Note</i>
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	1.73%	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

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



Notes:

1. As at 30 June 2010, the total number of issued shares of common stock of EGT was 115,879,394.
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 34.09% of the issued share capital of the Company which in turn holds approximately 39.52% 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.

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 30 June 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.

## SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 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

Name	Capacity	Number of ordinary shares held/ approximate % of issued share capital				Note
		Long Positions	%	Short Positions	%	
Better Joy Overseas Ltd.	Beneficial owner	288,532,606	23.45%	–	–	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	34.09%	–	–	4
Janus Capital Management LLC	Investment Manager	123,792,000	10.06%	–	–	–



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

<b>Name</b>	<b>Capacity</b>	<b>Number of underlying shares held</b>	<b>Approximate % of issued share capital</b>	<b>Note(s)</b>
Great Respect Limited	Beneficial owner	298,982,188	24.30%	5
Mr. Ho, Lawrence Yau Lung	Held by trust	298,982,188	24.30%	5
Ms. Lo Sau Yan, Sharen	Held by trust	298,982,188	24.30%	5
Dr. Ho Hung Sun, Stanley	Held by trust	298,982,188	24.30%	5 & 6
SG Trust (Asia) Ltd.	Held by controlled corporations	298,982,188	24.30%	5

*Notes:*

1. As at 30 June 2010, the total number of issued shares of the Company was 1,230,442,773.
2. The shares held by Better Joy Overseas Ltd. and Lasting Legend Ltd. also represent the corporate interests of Mr. Ho, Lawrence Yau Lung in the Company.
3. The 411,335,630 shares relate to 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.
4. Ms. Lo Sau Yan, Sharen is the spouse of Mr. Ho, Lawrence Yau Lung and is deemed to be interested in the shares of the Company in which Mr. Ho, Lawrence Yau Lung is interested under the SFO.
5. Pursuant to an agreement dated 11 May 2005 entered into between Great Respect Limited, 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 future exercise of the conversion rights under the Amended Convertible Loan Notes in full 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 would 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 family members. SG Trust (Asia) Ltd. is the trustee of the aforesaid discretionary family trust.
6. Dr. Ho Hung Sun, Stanley also holds 3,127,107 shares and 18,587,789 shares of the Company through a controlled corporation, Lanceford Company Limited, and in person respectively.
7. Regarding the interests of Mr. Ho, Lawrence Yau Lung in other underlying shares of the Company (in respect of the share options and awarded shares granted by the Company), please refer to the section "Directors' interests in shares, underlying shares and debentures" in this report.

Save as disclosed above, as at 30 June 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.

## SHARE OPTION SCHEME

On 8 March 2002, the shareholders of the Company at an extraordinary general meeting approved the adoption of a share option scheme (the "Scheme") under which the directors of the Company may, at their discretion, grant to any participants of the Scheme share options to subscribe for the Company's shares, subject to the terms and conditions as stipulated therein. On 8 June 2009, the shareholders of the Company approved the amendments to the Scheme at an annual general meeting. As a result of the amendments, the categories of participants who are entitled to participate in the Scheme have been expanded to (1) directors of the Company or any of its subsidiaries (within the meaning of the Companies Ordinance) or associated companies (companies in which the Company directly or indirectly holds not less than 20% and not more than 50% of its shareholding); and (2) executives and employees of and consultants, professional and other advisers to the Company or any of its subsidiaries or associated companies. A summary of the movements of the share options for the six months ended 30 June 2010 is as follows:

Category of participant	Number of share options					Outstanding at 30 June 2010	Date of grant of share options	Share price at date of grant of share options HK\$	Exercise price of share options HK\$
	Outstanding at 1 January 2010	Granted during the period	Reclassified during the period	Exercised during the period	Lapsed during the period				
Directors <sup>4</sup>	200,000	-	-	-	-	200,000	01.02.2005	7.4	7.4
Directors <sup>5</sup>	400,000	-	-	-	-	400,000	13.02.2006	11.75	11.80
Directors <sup>6</sup>	900,000	-	(300,000)	-	-	600,000	03.04.2006	15.7	15.87
Directors <sup>7</sup>	204,000	-	(51,000)	-	-	153,000	28.02.2008	11.5	11.5
Directors <sup>8</sup>	1,316,520	-	-	-	-	1,316,520	01.04.2008	10.7	10.804
Directors <sup>9</sup>	1,628,000	-	-	-	-	1,628,000	17.12.2008	2.02	2.02
Directors <sup>10</sup>	914,000	-	(91,000)	-	-	823,000	03.04.2009	2.99	2.99
Directors <sup>11</sup>	-	3,964,000	(60,000)	-	-	3,904,000	07.04.2010	3.76	3.76
Sub-total	5,562,520	3,964,000	(502,000)	-	-	9,024,520			
Employees <sup>12</sup>	550,000	-	-	-	-	550,000	17.09.2004	1.6875	1.6875
Employees <sup>13</sup>	230,000	-	-	-	-	230,000	01.02.2005	7.4	7.4
Employees <sup>14</sup>	950,000	-	(50,000)	-	-	900,000	13.02.2006	11.75	11.8
Employees <sup>15</sup>	450,600	-	(14,100)	-	(15,300)	421,200	01.04.2008	10.7	10.804
Employees <sup>16</sup>	490,509	-	-	(173,334)	-	317,175	17.12.2008	2.02	2.02
Employees <sup>17</sup>	905,000	-	(29,000)	(10,500)	(89,000)	776,500	03.04.2009	2.99	2.99
Employees <sup>18</sup>	-	3,045,000	-	-	(27,000)	3,018,000	07.04.2010	3.76	3.76
Sub-total	3,576,109	3,045,000	(93,100)	(183,834)	(131,300)	6,212,875			
Others <sup>19</sup>	9,900,000	-	-	-	-	9,900,000	17.09.2004	1.6875	1.6875
Others <sup>20</sup>	3,280,000	-	50,000	-	-	3,330,000	13.02.2006	11.75	11.8
Others <sup>21</sup>	-	-	300,000	-	-	300,000	03.04.2006	15.7	15.87
Others <sup>22</sup>	-	-	51,000	-	-	51,000	28.02.2008	11.5	11.5
Others <sup>23</sup>	732,100	-	14,100	-	(12,000)	734,200	01.04.2008	10.7	10.804
Others <sup>24</sup>	546,000	-	-	-	-	546,000	17.12.2008	2.02	2.02
Others <sup>25</sup>	238,000	-	120,000	-	-	358,000	03.04.2009	2.99	2.99
Others <sup>26</sup>	-	600,000	60,000	-	-	660,000	07.04.2010	3.76	3.76
Sub-total	14,696,100	600,000	595,100	-	(12,000)	15,879,200			
<b>Total</b>	<b>23,834,729</b>	<b>7,609,000</b>	<b>-</b>	<b>(183,834)</b>	<b>(143,300)</b>	<b>31,116,595</b>			




*Notes:*

1. The vesting period of the share options is from the date of grant until the commencement of the exercisable period.
2. As at 30 June 2010, the Company had 31,116,595 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 31,116,595 additional ordinary shares of the Company and additional share capital of approximately HK\$15,558,298 and share premium of approximately HK\$142,621,120 before issue expenses.
3. During the six months ended 30 June 2010, no share options were cancelled under the Scheme. In respect of the share options exercised during the period, the weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK\$3.48.
4. The 200,000 share options may be exercised during the period from 17 September 2009 to 7 March 2012.
5. 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.
6. 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.
7. 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.
8. 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.
9. Among the 1,628,000 share options, 271,333 share options may be exercised during the period from 1 February 2009 to 16 December 2018, 271,333 share options may be exercised during the period from 1 May 2009 to 16 December 2018, 271,333 share options may be exercised during the period from 1 August 2009 to 16 December 2018, 271,333 share options may be exercised during the period from 1 November 2009 to 16 December 2018, 271,333 share options may be exercised during the period from 1 February 2010 to 16 December 2018 and 271,335 share options may be exercised during the period from 1 May 2010 to 16 December 2018.
10. Among the 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.
11. 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.
12. 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.



13. The 230,000 share options may be exercised during the period from 17 March 2008 to 7 March 2012.
14. Among 900,000 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, 26,000 options may be exercised during the period from 3 April 2008 to 31 January 2016, 26,000 options may be exercised during the period from 3 April 2010 to 31 January 2016 and 28,000 options may be exercised during the period from 3 April 2012 to 31 January 2016.
15. Among the 421,200 share options, 140,400 share options may be exercised during the period from 1 April 2009 to 31 March 2018, 140,400 share options may be exercised during the period from 1 April 2010 to 31 March 2018 and 140,400 share options may be exercised during the period from 1 April 2011 to 31 March 2018.
16. Among the 317,175 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, 62,665 share options may be exercised during the period from 1 November 2009 to 16 December 2018, 96,831 share options may be exercised during the period from 1 February 2010 to 16 December 2018 and 108,515 share options may be exercised during the period from 1 May 2010 to 16 December 2018.
17. Among the 776,500 share options, 249,500 share options may be exercised during the period from 3 April 2010 to 2 April 2019, 260,000 share options may be exercised during the period from 3 April 2011 to 2 April 2019 and 267,000 share options may be exercised during the period from 3 April 2012 to 2 April 2019.
18. Among the 3,018,000 share options, 374,000 share options may be exercised during the period from 7 April 2010 to 6 April 2020, 630,000 share options may be exercised during the period from 7 April 2011 to 6 April 2020, 630,000 share options may be exercised during the period from 7 April 2012 to 6 April 2020, 630,000 share options may be exercised during the period from 7 April 2013 to 6 April 2020, 374,000 share options may be exercised during the period from 7 April 2014 to 6 April 2020 and 380,000 share options may be exercised during the period from 7 April 2015 to 6 April 2020.
19. 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.
20. Among the 3,330,000 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, 71,000 share options may be exercised during the period from 3 April 2008 to 31 January 2016, 61,000 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.
21. 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.
22. 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.
23. Among the 734,200 share options, 250,200 share options may be exercised during the period from 1 April 2009 to 31 March 2018, 242,000 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.

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24. 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.
  25. Among the 358,000 share options, 118,500 share options may be exercised during the period from 3 April 2010 to 2 April 2019, 118,500 share options may be exercised during the period from 3 April 2011 to 2 April 2019 and 121,000 share options may be exercised during the period from 3 April 2012 to 2 April 2019.
  26. Among the 660,000 share options, 100,000 share options may be exercised during the period from 7 April 2010 to 6 April 2020, 120,000 share options may be exercised during the period from 7 April 2011 to 6 April 2020, 120,000 share options may be exercised during the period from 7 April 2012 to 6 April 2020, 120,000 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.
  27. The category "Others" represents the former directors/employees or consultants of the Group.

## SHARE AWARD SCHEMES

On 18 October 2007, the Company adopted two share incentive award schemes, namely The Melco Share Purchase Scheme Trust (the "Share Purchase Scheme") and The Melco Share Award Scheme Trust (the "Share Subscription Scheme").

The purpose of each of the Share Purchase Scheme and the Share Subscription Scheme is to encourage and facilitate the acquisition and holding of shares in the Company, by and for the benefit of such employees of the Company and any subsidiary of the Company. The shares of the Company to be awarded pursuant to the Share Purchase Scheme and/or the Share Subscription Scheme may be awarded in such manner as the Board may determine from time to time in order to recognise the contribution of certain employees, to seek to retain them for the continued operation and development of the Group, and to attract suitable personnel for the further development of the Group. The Share Purchase Scheme utilizes shares of the Company purchased in the market whereas the Share Subscription Scheme will subscribe for new shares of the Company. Directors of the Company and any of its subsidiaries will be entitled to participate in the Share Purchase Scheme but not the Share Subscription Scheme.

## (a) Share Purchase Scheme

Movements of the awarded shares, which were granted pursuant to the terms of the rules and trust deed of the Share Purchase Scheme, during the six months ended 30 June 2010 are set out below:

Category of participant	Number of awarded shares						Outstanding at 30 June 2010	Date of award	Vesting date
	Outstanding at 1 January 2010	Awarded during the period	Reclassified during the period	Vested during the period	Lapsed during the period	Cancelled during the period			
Directors	60,000	-	-	(60,000)	-	-	-	28.02.2008	31.03.2010
Directors	16,000	-	-	(16,000)	-	-	-	28.02.2008	01.04.2010
Directors	16,000	-	(4,000)	-	-	-	12,000	28.02.2008	01.04.2011
Directors	131,765	-	-	(131,765)	-	-	-	01.04.2008	01.04.2010
Directors	125,998	-	-	(125,998)	-	-	-	17.12.2008	01.02.2010
Directors	126,010	-	-	(126,010)	-	-	-	17.12.2008	01.05.2010
Directors	50,500	-	-	(50,500)	-	-	-	03.04.2009	03.04.2010
Directors	50,500	-	(5,000)	-	-	-	45,500	03.04.2009	03.04.2011
Directors	51,000	-	(5,000)	-	-	-	46,000	03.04.2009	03.04.2012
Sub-total	627,773	-	(14,000)	(510,273)	-	-	103,500		
Employees	35,665	-	-	(35,665)	-	-	-	01.04.2008	01.04.2010
Employees	26,500	-	-	(26,500)	-	-	-	03.04.2009	03.04.2010
Employees	26,500	-	-	-	-	-	26,500	03.04.2009	03.04.2011
Employees	28,000	-	-	-	-	-	28,000	03.04.2009	03.04.2012
Sub-total	116,665	-	-	(62,165)	-	-	54,500		
Others*	-	-	4,000	-	-	-	4,000	28.02.2008	01.04.2011
Others*	52,990	-	-	(52,990)	-	-	-	01.04.2008	01.04.2010
Others*	10,500	-	-	(10,500)	-	-	-	03.04.2009	03.04.2010
Others*	10,500	-	5,000	-	-	-	15,500	03.04.2009	03.04.2011
Others*	11,000	-	5,000	-	-	-	16,000	03.04.2009	03.04.2012
Sub-total	84,990	-	14,000	(63,490)	-	-	35,500		
<b>Total</b>	<b>829,428</b>	<b>-</b>	<b>-</b>	<b>(635,928)</b>	<b>-</b>	<b>-</b>	<b>193,500</b>		

\* The category "Others" represents former director/employees of the Group.

## (b) Share Subscription Scheme

Movements of the awarded shares, which were granted pursuant to the terms of the rules and trust deed of the Share Subscription Scheme, during the six months ended 30 June 2010 are set out below:

Category of participant	Number of awarded shares						Outstanding at 30 June 2010	Date of award	Vesting date
	Outstanding at 1 January 2010	Awarded during the period	Reclassified during the period	Vested during the period	Lapsed during the period	Cancelled during the period			
Employees	24,999	-	-	(24,999)	-	-	-	17.12.2008	01.02.2010
Employees	25,005	-	-	(25,005)	-	-	-	17.12.2008	01.05.2010
Employees	37,000	-	-	(35,000)	(2,000)	-	-	03.04.2009	03.04.2010
Employees	37,000	-	(1,500)	-	(6,000)	-	29,500	03.04.2009	03.04.2011
Employees	45,000	-	(2,000)	-	(8,000)	-	35,000	03.04.2009	03.04.2012
Sub-total	169,004	-	(3,500)	(85,004)	(16,000)	-	64,500		
Others*	14,666	-	-	(14,666)	-	-	-	17.12.2008	01.02.2010
Others*	14,670	-	-	(14,670)	-	-	-	17.12.2008	01.05.2010
Others*	2,500	-	-	(2,500)	-	-	-	03.04.2009	03.04.2010
Others*	2,500	-	1,500	-	-	-	4,000	03.04.2009	03.04.2011
Others*	3,000	-	2,000	-	-	-	5,000	03.04.2009	03.04.2012
Sub-total	37,336	-	3,500	(31,836)	-	-	9,000		
<b>Total</b>	<b>206,340</b>	<b>-</b>	<b>-</b>	<b>(116,840)</b>	<b>(16,000)</b>	<b>-</b>	<b>73,500</b>		

\* The category "Others" represents former employees of the Group.





## CORPORATE GOVERNANCE

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

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

- (i) Pursuant to the code provision A.2.1 of the HKSE Code, the roles of the Chairman and Chief Executive Officer of a listed company should be separate and should not be performed by the same individual. However, in view of the present composition of the Board, the in depth knowledge of Mr. Ho, Lawrence Yau Lung of the operations of the Group and of the gaming and entertainment sector in Macau in general, his extensive business network and connections in that sector and the scope of operations of the Group, the Board believes it is in the best interests of the Company for Mr. Ho, Lawrence Yau Lung to assume the roles of Chairman and Chief Executive Officer at this time and such arrangement be subject to review by the Board from time to time.
- (ii) Code provision A.4.1 of the HKSE Code provides that non-executive directors should be appointed for specific term, subject to re-election. The Company has deviated from this provision in that all non-executive directors of the Company are not appointed for specific term. They are, however, subject to retirement and re-election every three years. The reason for the deviation is that the Company does not believe that arbitrary term limits on directors’ service are appropriate given that directors ought to be committed to representing the long term interests of the Company’s shareholders and the retirement and re-election requirements of non-executive directors have given the Company’s shareholders the right to approve continuation of non-executive directors’ offices.

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

- a. Executive Committee;
- b. Audit Committee;
- c. Remuneration Committee;
- d. Nomination Committee;
- e. Finance Committee;
- f. Regulatory Compliance Committee; and
- g. Corporate Social Responsibility Committee.

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



## SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings and code of conduct regarding securities transactions by directors set out in the Model Code throughout the six months ended 30 June 2010.

## CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of directors which are required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) subsequent to the date of the 2009 Annual Report of the Company are set out below:

<b>Name of Director</b>	<b>Details of Changes</b>
Dr. Lo Ka Shui	<p>Retired as an Independent Non-Executive Director of the Company at the conclusion of the annual general meeting (“AGM”) of the Company held on 22 June 2010.</p> <p>Following his retirement at the AGM, Dr. Lo ceased to act as the chairman of the remuneration committee and a member of the regulatory compliance committee of the Company.</p>
Dr. Tyen Kan Hee, Anthony	<p>Appointed as an Independent Non-Executive Director and a member of the audit committee of the Company with effect from 22 June 2010.</p> <p>Elixir Gaming Technologies, Inc. (a company listed on the New York Stock Exchange (NYSE-Amex)), of which Dr. Tyen is an independent director, has changed its name to Entertainment Gaming Asia Inc. on 23 July 2010.</p>
Mr. Chung Yuk Man, Clarence	<p>Elixir Gaming Technologies, Inc. (a company listed on the New York Stock Exchange (NYSE-Amex)), of which Mr. Chung is the Chairman and Chief Executive Officer, has changed its name to Entertainment Gaming Asia Inc. on 23 July 2010.</p>
Mr. Sham Sui Leung, Daniel	<p>Appointed as chairman of the remuneration committee of the Company with effect from 22 June 2010.</p>

## AUDIT COMMITTEE

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

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

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



## **INDEPENDENT REVIEW**

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

## **BOARD OF DIRECTORS**

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

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

Hong Kong, 30 August 2010