MELCO

Melco International Development Limited

(Incorporated in Hong Kong with limited liability)
Website: www.melco-group.com
(Stock Code: 200)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board of directors (the "Board") of Melco International Development Limited (the "Company" or "Melco International") is pleased to announce the unaudited condensed consolidated financial information of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2018 as follows:

FINANCIAL HIGHLIGHTS

1. Net revenues[1] were HK$19.8 billion, which represented a slight decrease of HK$0.3 billion or 1.6%, compared to HK$20.1 billion for the six months ended 30 June 2017. While the Group experienced better performance in all gaming segments, this was more than offset by higher commissions, which are being reported as a reduction of revenue as a result of the Group's adoption of New Revenue Standard from 1 January 2018.

2. Adjusted EBITDA[2] was HK$5.5 billion, representing an increase of HK$0.8 billion or 16.7%, compared to HK$4.7 billion for the six months ended 30 June 2017.

3. Profit before tax was HK$1.1 billion, representing an increase of HK$0.6 billion or 154.1%, compared to HK$0.4 billion for the six months ended 30 June 2017.

4. Net asset value per share attributable to owners of the Company remained stable at HK$12.5 as of 30 June 2018 and HK$12.4 as of 31 December 2017.

5. An interim dividend of HK4.5 cents per share was declared for the six months ended 30 June 2018.

(1) The Group has adopted the New Revenue Standard using the modified retrospective method on 1 January 2018. Results for the periods beginning on or after 1 January 2018 are presented under the New Revenue Standard, while prior period amounts are not adjusted and continue to be reported in accordance with the previous basis.

(2) Adjusted EBITDA is the profit for the period before deduction of finance costs, income tax, depreciation and amortization, pre-opening costs, development costs, property charges and other, share-based compensation expenses, payments to the Philippine Parties, land rent to Belle Corporation, corporate expenses, interest income, other income, gains and losses and loss/gain on disposal of subsidiaries. Adjusted EBITDA is used by management as the primary measure of the Group's operating performance and to compare our operating performance with that of our competitors. However, Adjusted EBITDA presented in this announcement may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended 30 June	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Net revenues	4	**19,796,067**	20,109,501
Other income, gains and losses		**60,826**	71,997
Gaming tax and license fees		**(9,147,193)**	(8,349,759)
Employee benefits expenses		**(3,156,552)**	(3,415,342)
Depreciation and amortization		**(2,389,394)**	(2,481,923)
(Loss)/gain on disposal of subsidiaries	5	**(34,111)**	161,228
Other expenses		**(2,979,822)**	(4,274,681)
Finance costs		**(1,086,238)**	(1,400,849)
Share of profits and losses of joint ventures		**–**	16
Share of profits and losses of associates		**(1,015)**	(1,992)
PROFIT BEFORE TAX		**1,062,568**	418,196
Income tax credit/(expense)	6	**5,757**	(62,764)
PROFIT FOR THE PERIOD		**1,068,325**	355,432

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Other comprehensive income/(loss)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**–**	(11,754)
Exchange differences:		
Exchange differences on translation of foreign operations	**(73,755)**	(12,069)
Reclassification of exchange reserve upon disposal of interest in a subsidiary	**–**	813
	(73,755)	(23,010)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:		
Actuarial loss arising from defined benefit obligations	**(1,058)**	(502)
Other comprehensive loss for the period, net of tax	**(74,813)**	(23,512)
Total comprehensive income for the period	**993,512**	331,920

	Note	Six months ended 30 June **2018** ***HK$'000*** **(Unaudited)**	 2017 *HK$'000* (Unaudited)
Profit for the period attributable to:			
Owners of the Company		**344,584**	164,586
Non-controlling interests		**723,741**	190,846
		1,068,325	355,432
Total comprehensive income for the period attributable to:			
Owners of the Company		**326,346**	149,498
Non-controlling interests		**667,166**	182,422
		993,512	331,920
Earnings per share attributable to owners of the Company	8		
Basic		**HK$0.23**	HK$0.11
Diluted		**HK$0.22**	HK$0.10

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**48,270,880**	47,994,966
Investment properties		**274,000**	274,000
Land use rights		**5,470,896**	5,553,924
Gaming license and subconcession		**4,358,387**	4,902,889
Goodwill		**5,299,451**	5,299,451
Trademarks		**16,992,458**	16,992,458
Other intangible assets		**13,061**	14,533
Investments in associates		**12,116**	14,946
Trade receivables	9	**28,940**	28,970
Prepayments, deposits and other receivables		**1,427,131**	1,440,006
Other financial assets		**208,485**	192,512
Deferred tax assets		**1,060**	543
Total non-current assets		**82,356,865**	82,709,198
Current assets			
Land use rights		**166,057**	166,057
Inventories		**283,992**	273,989
Trade receivables	9	**1,468,082**	1,247,940
Prepayments, deposits and other receivables		**633,462**	702,308
Tax recoverable		**153**	156
Other financial assets		**1,088,620**	1,053,586
Bank deposits with original maturities over three months		**204,400**	348,741
Cash and bank balances		**11,586,064**	11,768,251
Total current assets		**15,430,830**	15,561,028

	Note	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Current liabilities			
Trade payables	10	**175,493**	127,720
Other payables, accruals and deposits received		**12,215,126**	12,617,523
Tax payable		**62,742**	36,848
Interest-bearing borrowings		**1,901,167**	2,003,109
Obligations under finance leases		**253,820**	259,754
Total current liabilities		**14,608,348**	15,044,954
Net current assets		**822,482**	516,074
Total assets less current liabilities		**83,179,347**	83,225,272
Non-current liabilities			
Other payables, accruals and deposits received		**219,745**	384,636
Interest-bearing borrowings		**32,464,944**	32,463,626
Obligations under finance leases		**1,935,444**	2,068,669
Deferred tax liabilities		**2,422,399**	2,456,295
Total non-current liabilities		**37,042,532**	37,373,226
Net assets		**46,136,815**	45,852,046
Equity			
Share capital		**5,656,551**	5,624,135
Reserves		**13,530,110**	13,364,752
Equity attributable to owners of the Company		**19,186,661**	18,988,887
Non-controlling interests		**26,950,154**	26,863,159
Total equity		**46,136,815**	45,852,046

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2018

1. CORPORATE INFORMATION

Melco International Development Limited (the "Company") is a public company with limited liability incorporated in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong") as an investment holding company. The address of the registered office of the Company is 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong. The Company's shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Company together with its subsidiaries (collectively referred to as the "Group") is a developer, owner and operator of international network of casino gaming and entertainment casino resorts. The Group operates its gaming business primarily through Melco Resorts & Entertainment Limited ("Melco Resorts"), a subsidiary of the Group, with its American depositary shares listed on the NASDAQ Global Select Market in the United States of America (the "U.S."). Melco Resorts currently operates Altira Macau, a casino hotel located at Taipa, the Macau Special Administrative Region of the People's Republic of China ("Macau"), City of Dreams, an integrated urban casino resort located at Cotai, Macau and Taipa Square Casino, a casino located at Taipa, Macau. Melco Resorts' business also includes Mocha Clubs, which comprise the non-casino based operations of electronic gaming machines in Macau. Melco Resorts also majority owns and operates Studio City, a cinematically-themed integrated entertainment, retail and gaming resort in Cotai, Macau. In the Philippines, Melco Resorts and Entertainment (Philippines) Corporation ("MRP"), a majority-owned subsidiary of Melco Resorts whose common shares are listed on The Philippine Stock Exchange, Inc., through MRP's subsidiary, Melco Resorts Leisure (PHP) Corporation ("Melco Resorts Leisure"), currently operates and manages City of Dreams Manila, a casino, hotel, retail and entertainment integrated resort in the Entertainment City complex in Manila. In Cyprus, the Group, through its majority-owned subsidiaries, ICR Cyprus Holdings Limited ("ICR") and its subsidiaries, is also developing the City of Dreams Mediterranean, the first integrated casino resort in Limassol, Cyprus together with the operation of four satellite casinos in Nicosia, Larnaca, Ayia Napa and Paphos, Cyprus. The integrated casino resort is expected to open in 2021. A temporary casino in Limassol commenced operation in June 2018 and will operate until the integrated casino resort is completed. The four satellite casinos are currently under development in Cyprus.

The principal activities of the Group are divided into two operating and reportable segments, namely (i) the Casino and Hospitality segment; and (ii) the Others segment. See note 3 for additional information about the Group's segments.

2.1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information has been prepared under the historical cost convention, except for investment properties and certain financial instruments, which are measured at fair value, as appropriate.

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

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2018 does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's audited consolidated financial statements as at 31 December 2017.

The financial information relating to the year ended 31 December 2017 that is included in this unaudited condensed consolidated interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on the consolidated financial statements for the year ended 31 December 2017. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2018 are consistent with those of the Group as set out in the Group's audited consolidated financial statements for the year ended 31 December 2017, except for the adoption of the new and amended Hong Kong Financial Reporting Standards (the "HKFRSs") effective as of 1 January 2018.

The Group applies, for the first time in 2018, HKFRS 15 *Revenue from Contracts with Customers* and HKFRS 9 *Financial Instruments*. The nature and effect of these changes in accounting policies are disclosed below. For the other new and amended HKFRSs that are effective for the period, there is no material financial impact on the Group's unaudited condensed consolidated interim financial information.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 establishes a new five-step model that applies to revenue arising from contracts with customers ("New Revenue Standard"). Under HKFRS 15, revenues are recognized at amounts that reflect the consideration to which an entity expects to be entitled in exchange for transferring goods or services to customers. The principles in HKFRS 15 provide a more structured approach to measuring and recognizing revenue.

The Group has adopted the New Revenue Standard using the modified retrospective method on 1 January 2018. Results for the periods beginning on or after 1 January 2018 are presented under the New Revenue Standard, while prior period amounts are not adjusted and continue to be reported in accordance with the previous basis. The major changes as a result of the adoption of the New Revenue Standard are as follows:

- Under the New Revenue Standard, the retail value of complimentary services (including rooms, catering service, and other services) that are provided to casino guests as incentives related to gaming play ("promotional allowances") are netted against casino revenues in primarily all cases rather than netted against revenues related to the respective goods or services. The promotional allowances are measured based on stand-alone selling prices. These changes primarily result in a decrease in casino revenues and an increase in the revenues related to the respective goods or services.

- A portion of commissions paid to gaming promoters, representing the estimated incentives that were returned to customers, were previously reported as reductions in revenues, with the balances of commission expenses reflected as casino expenses. As a result of the adoption of the New Revenue Standard, all commissions paid to gaming promoters are reflected as reductions in casino revenues. This change primarily results in a decrease in casino expenses and a corresponding decrease in casino revenues.

The amounts of affected financial statement line items in the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the current period before and after the adoption of the New Revenue Standard are as follows:

	Six months ended 30 June 2018 (unaudited)		
	Balances under New Revenue Standard (As reported)	**Balances under previous basis**	**Effect of change higher/ (lower)**
	HK$'000	***HK$'000***	***HK$'000***
Net revenues			
Casino revenue	**17,300,745**	**20,151,111**	**(2,850,366)**
Entertainment and resort facilities revenue:			
Rooms	**1,053,148**	**291,069**	**762,079**
Catering service income	**776,952**	**346,368**	**430,584**
Entertainment, retail and other	**658,829**	**630,329**	**28,500**
Other expenses			
Gaming promoters' commission and other gaming operations expenses	**325,420**	**1,954,623**	**(1,629,203)**

There is no material impact on profit for the period, and basic and diluted earnings per share for the six months ended 30 June 2018.

HKFRS 9 ***Financial Instruments***

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement*, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has adopted HKFRS 9 from 1 January 2018 and did not restate comparative information in accordance with the transitional provisions in HKFRS 9. The transition adjustments were recognized against the opening balance of retained profits at 1 January 2018. The impacts from adopting HKFRS 9 relate to the classification and measurement and the impairment requirements are summarized as follows:

(a) Classification and measurement – equity investments

Upon adoption of HKFRS 9, the Group changes the accounting for equity investments held as available-for-sale and records the unrealized changes in fair value in profit and loss. Under the Group's previous accounting policies, these investments were measured at fair value with unrealized changes in fair value recorded as a component of other comprehensive income – other revaluation reserve. At the adoption date, the Group reclassified the previously accumulated unrealized losses of HK$4,583,000 on these investments from other revaluation reserve to the opening balance of retained profits. The Group anticipates that the adoption of HKFRS 9 will primarily increase the volatility of the Group's other gains or losses as a result of the remeasurement of these equity investments.

(b) Classification and measurement – borrowings

HKFRS 9 requires a gain or loss arising from modification of a financial liability that does not result in derecognition be immediately recognized in profit or loss. Under the Group's previous accounting policies, such gain or loss was deferred and amortized over the remaining term of the modified liability by adjusting the effective interest rate. The Group has retrospectively applied the accounting treatment as required by HKFRS 9 for the modification of interest-bearing borrowings which has not resulted in derecognition. At the adoption date, the Group recognized a decrease in opening retained profits and non-controlling interests with an aggregated amount of HK$238,045,000 and a corresponding increase in interest-bearing borrowings.

(c) Impairment of financial assets

HKFRS 9 requires an impairment of financial assets based on an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Upon adoption of HKFRS 9, the Group has applied the simplified approach to recognize lifetime expected credit losses for its trade receivables. The Group has determined that the adoption of HKFRS 9 did not have a significant impact on the provision for impairment on its trade receivables.

The effect of adopting HKFRS 9 on the consolidated opening retained profits and non-controlling interests at 1 January 2018 is as follows:

Retained profits

	HK$'000
Retained profits at 1 January 2018 – HKAS 39	**16,576,179**
Reclassification of accumulated unrealized losses on equity investments from other revaluation reserve	**(4,583)**
Change in carrying amount of interest-bearing borrowings measured at amortized cost	**(107,820)**
Retained profits at 1 January 2018 – HKFRS 9	**16,463,776**

Non-controlling interests

	HK$'000
Non-controlling interests at 1 January 2018 – HKAS 39	**26,863,159**
Change in carrying amount of interest-bearing borrowings measured at amortized cost	**(130,225)**
Non-controlling interests at 1 January 2018 – HKFRS 9	**26,732,934**

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not early adopted any new or amended HKFRSs or interpretation that has been issued but is not yet effective in the unaudited condensed consolidated financial information for the six months ended 30 June 2018.

3. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has two operating and reportable segments as follows:

(a) the "Casino and Hospitality" segment, which comprises operation of casino and provision of hospitality through Melco Resorts and ICR; and

(b) the "Others" segment comprises, principally, other gaming, leisure and entertainment, and property investments.

Management monitors the results of the Group's operating and reportable segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on Adjusted EBITDA, which is a non-HKFRS financial measure and the segment results of the Group, is the profit for the period before deduction of finance costs, income tax, depreciation and amortization, pre-opening costs, development costs, property charges and other, share-based compensation expenses, payments to SM Investments Corporation, Belle Corporation and PremiumLeisure and Amusement, Inc. (collectively referred to as the "Philippine Parties"), land rent to Belle Corporation, corporate expenses, interest income, other income, gains and losses and loss/gain on disposal of subsidiaries. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment. Not all companies calculate Adjusted EBITDA in the same manner. As a result, Adjusted EBITDA as presented by the Group may not be directly comparable to other similarly titled measures presented by other companies.

Segment assets exclude those deferred tax assets and other corporate unallocated assets which are managed on a group basis.

Segment liabilities exclude those borrowings, dividends payable, deferred tax liabilities and other corporate unallocated liabilities which are managed on a group basis.

Intersegment sales are transacted with reference to the selling prices used for sales made and services provided to third parties at the prevailing market prices.

Segment net revenues and results

Six months ended 30 June 2018 (Unaudited):

	Casino and Hospitality *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment net revenues:			
Sales to external customers	**19,750,496**	**45,571**	**19,796,067**
Intersegment sales	**28,176**	**–**	**28,176**
	19,778,672	**45,571**	**19,824,243**
Elimination of intersegment sales			**(28,176)**
Total net revenues			**19,796,067**
Adjusted EBITDA	**5,553,185**	**(30,499)**	**5,522,686**
Adjusted items for Adjusted EBITDA:			
Share-based compensation expenses			**(160,419)**
Depreciation and amortization			**(2,389,394)**
Pre-opening costs			**(313,507)**
Development costs			**(56,711)**
Property charges and other			**(144,424)**
Payments to the Philippine Parties			**(272,256)**
Land rent to Belle Corporation			**(11,787)**
Loss on disposal of subsidiaries			**(34,111)**
Interest income			**23,310**
Other income, gains and losses			**37,516**
Finance costs			**(1,086,238)**
Corporate expenses			**(52,097)**
Profit before tax			**1,062,568**

Segment net revenues and results

Six months ended 30 June 2017 (Unaudited):

	Casino and Hospitality *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment net revenues:			
Sales to external customers	20,050,677	58,824	20,109,501
Intersegment sales	2,206	–	2,206
	20,052,883	58,824	20,111,707
Elimination of intersegment sales			(2,206)
Total net revenues			20,109,501
Adjusted EBITDA	4,760,231	(28,269)	4,731,962
Adjusted items for Adjusted EBITDA:			
Share-based compensation expenses			(204,827)
Depreciation and amortization			(2,481,923)
Pre-opening costs			(7,782)
Development costs			(31,785)
Property charges and other			(97,461)
Payments to the Philippine Parties			(227,653)
Land rent to Belle Corporation			(12,316)
Gain on disposal of a subsidiary			161,228
Interest income			15,470
Other income, gains and losses			89,746
Finance costs			(1,400,849)
Corporate expenses			(115,614)
Profit before tax			418,196

30 June 2018 (Unaudited):

	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Segment assets	**96,623,075**	**404,645**	**97,027,720**
Corporate and other unallocated assets			**759,975**
Total assets			**97,787,695**
Segment liabilities	**44,828,728**	**86,945**	**44,915,673**
Corporate and other unallocated liabilities			**6,735,207**
Total liabilities			**51,650,880**

31 December 2017 (Audited):

	Casino and Hospitality HK$'000	Others HK$'000	Total HK$'000
Segment assets	96,042,510	1,285,205	97,327,715
Corporate and other unallocated assets			942,511
Total assets			98,270,226
Segment liabilities	45,464,050	147,379	45,611,429
Corporate and other unallocated liabilities			6,806,751
Total liabilities			52,418,180

4. NET REVENUES

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Casino revenue	**17,300,745**	18,711,124
Entertainment and resort facilities revenue:		
Rooms	**1,053,148**	277,951
Catering service income	**776,952**	353,842
Entertainment, retail and other	**658,829**	748,751
Electronic gaming machines participation	**3,938**	5,234
Property rental income	**2,169**	1,849
Lottery business:		
Trading of lottery terminals and parts	**–**	9,586
Provision of services and solutions for distribution of lottery products	**–**	396
Other	**286**	768
	19,796,067	20,109,501

5. DISPOSAL OF SUBSIDIARIES

Six months ended 30 June 2018

In June 2018, the Group entered into certain agreements with two independent third parties (the "Buyers") to dispose of its entire business and interests in three subsidiaries in Cambodia (the "Cambodian Subsidiaries"). The consideration for disposal of the Cambodian Subsidiaries paid by the Group to the Buyers was approximately HK$27,230,000, which was primarily made in consideration for the Buyers to assume all liabilities arising from the operations of the Cambodian Subsidiaries. Accordingly, the Group had derecognized these liabilities upon completion of the disposal on 29 June 2018.

Information regarding the disposal of the Cambodian Subsidiaries are as follows:

	2018
	HK$'000
	(Unaudited)
Net assets disposed of:	
Property, plant and equipment	**6,201**
Prepayments, deposits and other receivables	**55**
Cash and bank balances	**730**
Other payables, accruals and deposits received	**(105)**
	6,881
Loss on disposal of subsidiaries	**(34,111)**
Total cash consideration paid by the Group	**(27,230)**

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiaries is as follows:

	HK$'000
	(Unaudited)
Cash consideration paid by the Group	**(27,230)**
Cash and bank balances disposed of	**(730)**
Net outflow of cash and cash equivalents in respect of the disposal of the subsidiaries	**(27,960)**

Six months ended 30 June 2017

On 29 May 2017, the Company entered into an agreement with an independent third party to dispose of its entire interest in MelcoLot Limited ("MelcoLot"), representing approximately 40.65% of the issued share capital of MelcoLot, at a price of HK$0.252 per MelcoLot share for an aggregate consideration of approximately HK$322,236,000. The transaction was completed on 6 June 2017.

Information regarding the disposal of the subsidiary is as follows:

	2017 *HK$'000* (Unaudited)
Net assets disposed of:	
Property, plant and equipment	198
Structured notes	100,129
Trade receivables	7,133
Prepayments, deposits and other receivables	3,359
Cash and bank balances	318,233
Trade payables	(6,346)
Accruals and other payables	(10,668)
Tax payable	(3,263)
Non-controlling interests	(248,580)
	160,195
Exchange reserve	813
	161,008
Gain on disposal of a subsidiary	161,228
Total cash consideration received by the Group	322,236

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	HK$'000 (Unaudited)
Cash consideration received by the Group	322,236
Cash and bank balances disposed of	(318,233)
Net inflow of cash and cash equivalents in respect of the disposal of the subsidiary	4,003

6. INCOME TAX (CREDIT)/EXPENSE

An analysis of the income tax (credit)/expense for the period is as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax:		
Macau Complementary Tax	**1,602**	95
Lump sum in lieu of Macau Complementary tax on dividends	**9,175**	10,874
Hong Kong Profits Tax	**8,840**	7,379
PRC Capital Gains Tax	**–**	31,980
Other jurisdictions	**1,018**	447
Sub-total	**20,635**	50,775
Under/(over)provision in prior periods:		
Macau Complementary Tax	**6,195**	(18,496)
Other jurisdictions	**455**	(3,247)
Sub-total	**6,650**	(21,743)
Deferred tax	**(33,042)**	33,732
Total	**(5,757)**	62,764

For the six months ended 30 June 2018, there were no significant changes to the tax exposures as disclosed in the Group's audited consolidated financial statements as at 31 December 2017.

7. DIVIDENDS

During the six months ended 30 June 2018, a final dividend of HK4.0 cents per share, totalling approximately HK$61,484,000, in respect of the year ended 31 December 2017 (six months ended 30 June 2017: a special final dividend of HK2.0 cents per share, totalling approximately HK$30,574,000, in respect of the year ended 31 December 2016) was declared to the shareholders of the Company.

Subsequent to the end of the current interim period, the Board has resolved that an interim dividend of HK4.5 cents per share, totalling approximately HK$69,014,000 (six months ended 30 June 2017: an interim dividend of HK2.2 cents per share, totalling approximately HK$33,724,000), will be paid to the shareholders of the Company.

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**344,584**	164,586
Effect of dilutive potential ordinary shares:		
Adjustment in relation to share options and awarded shares issued by the subsidiaries of the Company	**(5,891)**	(5,849)
Earnings for the purpose of diluted earnings per share	**338,693**	158,737

	Six months ended 30 June	
	2018	2017
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,528,415**	1,530,668
Effect of dilutive potential ordinary shares:		
Share options and awarded shares issued by the Company	**7,829**	13,084
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,536,244**	1,543,752

The number of shares adopted in the calculation of the basic and diluted earnings per share has been arrived at excluding with the shares of the Company held under trust arrangement for the Company's share award schemes.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended 30 June 2018 and 2017, the Company had outstanding share options and awarded shares that would potentially dilute the ordinary shares.

9. TRADE RECEIVABLES

An aging analysis of trade receivables as at the end of the reporting period, based on the due date, is as follows:

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**1,284,195**	1,160,968
More than 1 month but within 3 months	**177,139**	176,433
More than 3 months but within 6 months	**56,015**	8,922
More than 6 months	**223,848**	235,394
	1,741,197	1,581,717
Provision for impairment	**(244,175)**	(304,807)
	1,497,022	1,276,910
Less: Non-current portion	**(28,940)**	(28,970)
Current portion	**1,468,082**	1,247,940

10. TRADE PAYABLES

An aging analysis of trade payables as at the end of the reporting period, based on the due date, is as follows:

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**166,748**	119,358
More than 1 month but within 3 months	**4,119**	7,073
More than 3 months but within 6 months	**4,626**	1,289
	175,493	127,720

11. MODIFICATION OF SHARE OPTIONS OF THE COMPANY

On 10 April 2018, the Company cancelled the outstanding share options previously granted to one of the directors and replaced the cancelled share options with new share options and share awards. The share options being cancelled were granted on 1 September 2016, 10 April 2017 and 7 June 2017 under the Company's 2012 Share Option Scheme, including those unvested, or vested but not exercised. A total of 5,946,000 share options (the "Previously Granted Options") were cancelled and replaced by a total of 5,946,000 new share options with an exercise price of HK$23.15 per share option (the "Replacement Options") under 2012 Share Option Scheme and 2,194,000 new share awards (the "Replacement Share Awards") pursuant to the Company's Share Purchase Scheme.

The estimated fair values of the Previously Granted Options, the Replacement Options and the Replacement Share Awards were approximately HK$82,299,000, HK$51,433,000 and HK$50,791,000, respectively on 10 April 2018. The estimated fair values of the Previously Granted Options and the Replacement Options were measured using the Black-Scholes valuation model with the weighted average fair values per share option of HK$13.84 and HK$8.65 respectively. The incremental fair value of approximately HK$19,925,000 has been recognized as share-based compensation expenses during the six months ended 30 June 2018.

MANAGEMENT DISCUSSION & ANALYSIS

SIGNIFICANT EVENTS AND DEVELOPMENTS

In the first half of 2018, Melco International Development Limited ("Melco International" or the "Group") continued to achieve milestones in global market expansion and in launching innovative concepts in integrated resorts. These developments help Melco International to further its goals to be a pioneer in premium travel, leisure and entertainment and to deliver world-class premium offerings that go beyond gaming to satisfy tomorrow's most sophisticated international travellers.

A notable highlight this year was the grand opening of Morpheus that took place in June as the latest addition to the Phase 3 development of City of Dreams in Macau. Morpheus, the new flagship hotel for City of Dreams, is the world's first ever free-form exoskeleton high-rise architectural structure designed by legendary architect the late Dame Zaha Hadid, DBE. This US$1.1 billion iconic landmark offers sophisticated travellers the most remarkable experiences that go beyond gaming and raises the bar in global luxury hospitality.

With the official ground-breaking of City of Dreams Mediterranean in June, Melco International not only took another major step in its global expansion, but also set the stage for the transformation of Cyprus into a must-visit international tourism destination. Set to open in Limassol in 2021, City of Dreams Mediterranean will be Europe's largest integrated destination resort, showcasing the Group's renowned seamless array of gaming and non-gaming amenities. While City of Dreams Mediterranean is in development, all eyes turned to another milestone with the soft opening of Cyprus Casinos (C2), a mere 5 kilometres away in Limassol. Also on the horizon are three C2 satellite casinos scheduled to commence operations in Nicosia, Larnaca and Paphos during 2018, while the satellite casino in free Famagousta is scheduled to commence operations in the spring of 2019.

Japan remains a pivotal focus of the Group's long-term plan. We view Japan as a market with the potential to rank among the largest global gaming destinations in Asia, second only to Macau. With the goal to become a trusted partner in Japan's integrated casino resorts industry, the Group has been dedicating the necessary resources and investments for the development of this potential market. Following the establishment of a Japanese subsidiary, opening an office in Tokyo and appointing a local leadership team in 2017, the Group has since opened an Osaka office in the first half of 2018. With the successful passage of the Integrated Resorts Implementation Bill at Japan's National Diet, our current near-term aims are to explore local partnerships that will help us build a strong consortium and to build up our local team to support our business development efforts.

BUSINESS REVIEW

Integrated Gaming and Entertainment Resorts

Melco International operates its gaming business primarily through its subsidiary Melco Resorts & Entertainment Limited ("Melco Resorts"), a developer, owner and operator of casino gaming and entertainment casino resort facilities in Asia, of which Melco International holds an interest of 51.06% as of 30 June 2018.

Currently, Melco Resorts operates businesses that range from Altira Macau, a casino hotel located at Taipa, Macau; City of Dreams, an integrated urban casino resort located in Cotai, Macau; to Mocha Clubs, the largest non-casino based operations of electronic gaming machines in Macau. In addition, it also has majority ownership and operates Studio City, a cinematically-themed integrated entertainment, retail and gaming resort located in Cotai, Macau. In the Philippines, a Philippine subsidiary of Melco Resorts currently operates and manages City of Dreams Manila, a casino, hotel, retail and entertainment integrated resort in the Entertainment City complex in Manila.

Despite the ongoing challenges in the Macau gaming market, Melco International managed to achieve positive operating and financial results in the first half of 2018. With net revenues of approximately HK$19.8 billion, profit for the period went beyond threefold to approximately HK$1.1 billion, while Adjusted EBITDA grew 16.7% to HK$5.5 billion. The increase was mainly attributable to the better group-wide performance in all gaming segments and recovery of previously provided doubtful debt.

City of Dreams

City of Dreams in Macau is Melco Resorts' flagship integrated resort, a premium-focused property targeting high-end customers and rolling chip players from regional markets across Asia. In the first half of 2018, the property operated on average 481 gaming tables and 678 gaming machines. City of Dreams is currently in its third phase of development, with a relaunch that includes extensive renovation on the mass gaming floor with newly designed gaming space that were unveiled in June 2018 and additional renovations in the VIP area that will be opened over the next 9 months.

Morpheus is the latest addition to City of Dreams. Named after the god of dreams in Greek Mythology, this new, ultra-luxury hotel in Macau celebrated its grand opening in June 2018. Morpheus is the world's first ever free-form exoskeleton high-rise architectural structure, designed by legendary architect the late Dame Zaha Hadid, DBE. It represents another stunning world first contribution the Group has created in Macau, characterized by an unprecedented level of attention to detail and designed with the premium guest experience in mind. Morpheus offers guests world-class experiences that exceed 5-star hotel standards. Along with a total of 772 guest rooms, suites and villas, Morpheus also features an executive lounge, a sky pool situated 130 meters above ground, world-class culinary delights from the likes of Alain Ducasse and Pierre Hermé, the world's most fashion-forward brands and retail options, a curated art installation space featuring internationally renowned artists, as well as an in-house Spa Butler concept.

Building on the synergies created by its spectacular gaming and non-gaming entertainment offerings, including the world's largest water extravaganza – The House of Dancing Water, and a constantly optimized retail preposition and restaurant offerings, City of Dreams has consistently strengthened its position as the leading premium-mass market leisure destination in Macau.

Nüwa will be undergoing renovation after the Chinese New Year in 2019, with the rolling refurbishment of the hotel anticipated to conclude before the Chinese New Year in 2020. The Countdown hotel will also be redeveloped in the second half of 2019 and will be rebranded Libertine, a funky rebel branded hotel, and will complement our City of Dreams portfolio with guestrooms that are luxurious yet ultra-cool.

Each of these hotels in City of Dreams will continue to offer guests premium and luxury experiences while retaining its own distinctive style and design and maintaining the same focus on quality and attention to detail.

Studio City

Studio City, the Hollywood-inspired, cinematically-themed integrated entertainment, retail and gaming resort, is designed to be the most diversified entertainment offering in Macau. In the first half of 2018, the property operated on average 293 gaming tables and 951 gaming machines.

Studio City has recently completed a series of property upgrades to refine its entertainment offerings and improve accessibility to the resort. Looking ahead, Studio City will be going through a Phase 2 expansion designed to further elevate the hotel to offer a significant point of differentiation from all other Macau resorts.

Altira Macau

Altira Macau is a casino and hotel designed to cater to Asian rolling chip customers sourced primarily through gaming promoters. Located in Taipa, it offers an oasis of sophistication with spectacular panoramic views of the Macau Peninsula. Through delivering impeccable services customized to each guest, both Altira Macau and Altira Spa have attained the highest 5-Star award ratings for nine consecutive years in the 2018 Forbes Travel Guide. In the first half of 2018, Altira Macau operated on average 103 gaming tables and 126 gaming machines operated as a Mocha Club at Altira Macau.

In the first half of 2018, Altira Macau recorded strong year-on-year improvement in Adjusted property EBITDA as a result of better performance in all gaming segments.

Mocha Clubs

Mocha Clubs comprises the largest non-casino based operations of electronic gaming machines in Macau. As a pioneer in Macau's electronic gaming industry, Mocha Clubs has brought a series of innovative and top quality electronic gaming machines from around the world to offer a contemporary entertainment mix to the broadest spectrum of patrons and visitors. As of 30 June 2018, Mocha Clubs operated eight clubs with a total of 1,344 gaming machines (including 128 gaming machines at Altira Macau).

City of Dreams Manila

Beyond Macau, City of Dreams Manila, strategically located at the gateway of Entertainment City, provides an unparalleled entertainment and hospitality experience for the Philippine market and continues to set the reference for the Group's robust capacity to execute on its international vision. The dynamic property boasts the ultimate in entertainment, hotel, retail, dining and lifestyle experiences with aggregated gaming space, including VIP and mass-market gaming facilities with an average of 297 gaming tables and 1,868 gaming machines in the first half of 2018.

City of Dreams Mediterranean and Cyprus Casinos (C2)

Melco International holds a 75% interest in a joint venture company which is developing the integrated casino resort project in Cyprus, with a 30-year casino-gaming license commencing from June 2017 of which the first 15 years are exclusive.

City of Dreams Mediterranean, the first integrated resort in Cyprus, is scheduled to open in 2021 and will transform Cyprus into a must-visit tourism destination. It is currently expected to attract 300,000 tourists annually in its first year of operation. Upon completion, it will become Europe's largest and premier integrated destination resort. Its 7,500-square-metre gaming area comprises over 100 tables and over 1,000 state-of-the-art slot machines, a five-star 500-room hotel with luxury villas, 11 world-class international restaurants and cafeterias, expansive recreation and wellness facilities, high-end brand name luxury retail, a 1,500-seat outdoor amphitheatre and 9,600-square-metre of meetings, incentives, conventions and exhibitions (MICE) facilities and Expo Centre. This potent all under one roof resort will elevate Cyprus to a leadership role for leisure and business travel in the region and internationally.

As the important first step prior to the opening of City of Dreams Mediterranean, Cyprus Casinos (C2) opened its doors in June in Limassol. Comprising 4,600 square metres overall, the gaming area at C2 is a spacious 1,300 square metres and features 33 of the most popular table games and 258 state-of-the-art slot machines, all at limits to meet individual gaming requirements. For those guests who prefer a more private gaming experience, there is Salon Prive.

In addition to world-class gaming, our restaurant "Columbia Bistro" and 2 bars serve a savoury variety of cuisines, snacks and beverages. C2 also offers complimentary and convenient parking.

Three more satellite casinos are also scheduled to commence operations in Nicosia, Larnaca and Paphos later this year, while the satellite casino in free Famagousta is scheduled to commence operations in the spring of 2019.

ACHIEVEMENTS AND AWARDS

Melco International strives to operate with high standards in corporate governance and corporate social responsibility, both of which are integral to our commitment to strengthen the Group's industry presence as a global market-leading operation. In the first half of 2018, our efforts have continued to be widely acknowledged.

Corporate Governance

The strong management team has received prestigious leadership awards from the business and investor community in recognition of good corporate governance practices. Among them is the Asian Excellence Awards by Corporate Governance Asia Magazine, where Mr. Lawrence Ho, Group Chairman and Chief Executive Officer, was honoured as "Asia's Best CEO" for the seventh time in 2018.

These accolades serve as a testament to the Group's continued dedication to ensuring accountability, fairness and transparency in its relationships with all stakeholders.

Corporate Social Responsibility

Melco International continues to be steadfastly committed to be a responsible partner to our employees and local communities. Our efforts and strong commitment to sustainability and social impact has also been recognized by industry-wide awards.

In recognition of our efforts in corporate social responsibility, Melco International has received "Best in ESG", "ESG Report of The Year" and "Best in Reporting" in BDO ESG Awards 2018. In addition, Melco Resorts has been awarded the Outstanding Corporate Social Responsibility award at the 7th Cross-Strait-Four-Region Outstanding Corporate Social Responsibility Award organized by the Mirror Post of Hong Kong. Its recent efforts to support breastfeeding and lactation room facilities throughout all its major properties have been recognized by the Macau government for demonstrating industry leadership in this area. Moreover, its continued contribution towards the community was recognized by Hong Kong Council of Social Service as a "10 Years Plus Caring Company" for the fourth consecutive year. This is the 14th year that Melco International has received the Caring Company logo.

Business Operations

Melco International has persistently provided its customers with an outstanding offer of hospitality, leisure, culinary and entertainment experiences through its business operations.

Melco Resorts has been awarded Gaming Operator of the Year, Australia/Asia at the International Gaming Awards 2018. It received the judging panel's accolade for achievements in bringing vision, originality and vitality to the gaming sector, each of which are closely aligned with its mission to deliver one-of-a-kind, world-class integrated resort concepts to international gamers and tourists.

The Group has attained Forbes 5-Star distinctions across all three of our properties in Macau in the 2018 Forbes Travel Guide, a testament to our impeccable services and distinguished products on offer. Studio City's Star Tower and Zensa Spa achieved the Forbes 5-Star and 4-Star rating, respectively, on their first attempt. Altira Macau and Altira Spa have been honoured with Forbes 5-Star Awards for nine consecutive years from 2010 to 2018, while Nüwa and Nüwa Spa at City of Dreams (then branded as Crown Towers and Crown Spa) has also received the Forbes 5-Star Awards for the sixth consecutive year. Moreover, Altira Spa has also been awarded as country and regional winner of Luxury Wellness Spa at 2018 World Luxury Spa Awards Gala Event.

In addition to our integrated resorts, the Group's world-class restaurants have also continued to garner critical acclaim. The Group is currently offering more Michelin-starred dining establishments than any operators in Macau with stars awarded to The Tasting Room (two stars), Jade Dragon (two stars), Shinji by Kanesaka (one star), Ying (one star) and Pearl Dragon (one star). They are also well recognized by other organizers, in particular, Jade Dragon has made into the 2018 Asia's 50 Best Restaurants List for the second consecutive year, being the only Macau restaurant to be featured on the list.

All these accolades demonstrate industry-wide recognition from the community for our fundamental commitment to excellence in all aspects of our business, ranging from corporate governance, operational performance to every detail of our customer experience. We make it a top priority to continue this level of excellence in the Group and continue to maintain a market leading position going forward.

OUTLOOK

In the first half of 2018, the Group continues to focus on improving the quality of our services and entertainment offerings as well as upgrading the infrastructure of our properties, with the goal to better cater to customers in Macau and around the world. The Group is confident that the rest of 2018 will get a positive boost with the recent opening of our latest US$1.1 billion iconic hotel Morpheus, and we believe it will further solidify the Group's position as a pioneer and innovator in premium travel, leisure and entertainment.

Overall for the Macau gaming industry, despite the 2018 FIFA World Cup temporarily affecting the Macau gaming market this summer, gross gaming revenue in Macau continues to exhibit steady growth in 2018. The Macau gaming industry is expected to receive a boost in revenue through exciting developments around Macau, including the build-out of Cotai and the ongoing development of Hengqin Island, which will further expand Macau's appeal as a tourist destination. Specifically, upcoming transportation infrastructure projects such as the rollout of the Light Rail Transit system throughout Macau as well as the opening of the Hong Kong–Zhuhai–Macau Bridge later this year will further improve the connectivity between the Group's properties in Macau with mainland China and other neighbouring areas. These developments are set to further boost tourist volumes and foot traffic throughout Macau, especially mainland China's growing volumes of tourists and overnight visitors around the Asia Pacific region.

We remain cautiously optimistic about the potential downside risks in the coming years but have taken a proactive strategy to manage and mitigate the potential risks. We have plans in place as we anticipate our concession license renewal in 2020 and we are working closely with the Macau government throughout this process. We will also carefully observe and prepare any counter measures for scenarios that include potential stricter capital controls in mainland China, that might impact the volume of Chinese tourists coming to Macau.

Our long-term growth strategy for Macau remains to focus on the premium-mass and mass segments, which we believe will drive sustainable growth and profit for our industry. We will continue to invest in balancing our exposure to both VIP and mass gaming patrons and to further grow a diversified portfolio to attract the broader tourism market through our world-class non-gaming entertainment and leisure offers. To better cater to our target market segments, the Group is overseeing exciting developments across our properties that will further boost our competitiveness to offer differentiated and premium services to our guests.

The completion of City of Dreams Phase 3 will be a key focus and the newly revamped mass gaming floor and soon to be unveiled VIP area will be a considerable draw for patrons. With the launch of Morpheus, our City of Dreams portfolio now includes the premium and ultra-luxurious Zaha Hadid-designed concept hotel Morpheus; the chic, classic Chinese Nüwa; and the upcoming hotel Libertine, the funky rebel, which will start development in the second half of 2019. This combined portfolio of hotels will provide a set of differentiated accommodation options that offer our guests unique and tailored experiences, with each hotel offering its own distinctive style while maintaining an overall focus on quality, attention to detail and top-notch service. These latest developments at City of Dreams will solidify our leadership in both the premium-mass and mass segments, positioning us to offer customers Macau's most fully integrated and modern gaming and entertainment experience.

At Studio City, we will continue to undertake a series of property upgrades designed to further refine our entertainment offerings to attract a broader tourism segment that includes families and young millennial tourists. Later this year, Studio City is expected to unveil an electrifying stunt show created with our new partner Stufish, a London based world-renowned entertainment architect, launch Asia's largest Virtual Reality zone as well as introduce a new and exciting range of food and beverage options.

Internationally, we remain bullish on our exposure to an expanding network of global operations and business development opportunities beyond Macau. In the Philippines, the market has continued to deliver healthy and stable growth along with robust financial performance. Given the fast-growing trajectory of Southeast Asian tourism along with continued upgrades in Philippine transportation infrastructure projects, the Group anticipates continued growth in this market since it is expected that regional and global tourist arrivals, overnight visitors from ASEAN countries and overall gaming activity at our resort in Manila will be further boosted.

For Cyprus, the launch of C2 and its very favourable response in its first 30 days offer a tantalizing window into the transformative power of the Group's relationship. During the first three weeks of operation, over 34,000 individual guests have visited C2, while more than 6,000 visitors have registered to become members of the C2 Rewards Club loyalty program. With the strong support from the Cypriot government, positive word of mouth and self-discovery by the market, we anticipate an accelerating attendance rate and are confident that the project will further enhance our exposure in the global market.

Our core focus for the near to mid-term continues to be Japan. Following the passage of the Integrated Resorts Implementation Bill in July, we are very focused and dedicated to becoming an international integrated resort operator in the country. To this end, we have been working diligently on this for the past 10 years and will continue to engage with the national and local governments, communities and local companies for potential partnerships and collaborations. We have had a Tokyo office in place since 2017 along with a local leadership team and just opened an Osaka office in the first half of 2018 and are now fully engaged to explore local partnerships and to further build up our local presence. With our focus on the Asian premium segment, dedication for high quality assets and world-class entertainment offerings, we believe the Group is in a strong position to be a partner to Japan's journey in its integrated resort development with a unique Japanese touch.

Looking ahead, we believe that our diversified revenue streams across market segments and geographies with distinctive high-quality hotel brands will lay a strong foundation to the Group's near and long-term success and development. Our corporate DNA is always to do better and to create a category of hospitality, leisure and entertainment that constantly exceeds expectations, and we are well positioned to continue to be a pioneer and innovator in premium travel, leisure and entertainment in Macau and internationally. With growing global demand for premium and tailored travel experiences, for both gaming as well as non-gaming entertainment and leisure offerings, our dedicated management team, solid corporate governance, strong property portfolio are well placed to continue to deliver solid financial growth.

FINANCIAL REVIEW

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE

HK$' million	**2018 (Unaudited)**	2017 (Unaudited)	YoY%
Net revenues	**19,796.1**	20,109.5	-1.6%
Adjusted EBITDA	**5,522.7**	4,732.0	16.7%
Profit attributable to owners of the Company	**344.6**	164.6	109.4%
Basic earnings per share (HK$)	**0.23**	0.11	109.7%

FINANCIAL POSITION AS AT

HK$' million	**30 June 2018 (Unaudited)**	31 December 2017 (Audited)	YoY%
Total assets	**97,787.7**	98,270.2	-0.5%
Total liabilities	**51,650.9**	52,418.2	-1.5%
Shareholders' equity	**19,186.7**	18,988.9	1.0%
Net assets value per share attributable to owners of the Company (HK$)	**12.5**	12.4	1.2%
Gearing ratio (%)	**35.1%**	35.1%	N/A

Net revenues

Net revenues of the Group slightly decreased by 1.6% from HK$20.1 billion for the six months ended 30 June 2017 to HK$19.8 billion for the six months ended 30 June 2018. While the Group experienced better performance in all gaming segments, this was more than offset by higher commissions, which are being reported as a reduction of revenue as a result of the Group's adoption of New Revenue Standard from 1 January 2018. The Group has adopted the New Revenue Standard using the modified retrospective method on 1 January 2018. Results for the periods beginning on or after 1 January 2018 are presented under the New Revenue Standard, while prior period amounts are not adjusted and continue to be reported in accordance with the previous basis. Under the previous basis, before the adoption of the New Revenue Standard, net revenues for the six months ended 30 June 2018 would have been HK$21.4 billion, which would have represented an increase of 6.5% from the HK$20.1 billion for the comparable period in 2017.

	Six months ended 30 June		
HK$' million	**2018**	2017	YoY%
Casino revenue	**17,300.8**	18,711.1	-7.5%
Entertainment and resort facilities revenue:			
Rooms	**1,053.1**	278.0	278.9%
Catering service income	**777.0**	353.8	119.6%
Entertainment, retail and other	**658.8**	748.8	-12.0%
Electronic gaming machines participation	**3.9**	5.2	-24.8%
Property rental income	**2.2**	1.8	17.3%
Lottery business:			
Trading of lottery terminals and parts	**–**	9.6	-100.0%
Provision of services and solutions for distribution of lottery products	**–**	0.4	-100.0%
Others	**0.3**	0.8	-62.8%
	19,796.1	20,109.5	-1.6%

Adjusted EBITDA[(1)]

Adjusted EBITDA for the six months ended 30 June 2018 increased by 16.7% to HK$5.5 billion, compared to HK$4.7 billion for the six months ended 30 June 2017. The improvement in Adjusted EBITDA was mainly attributable to better group-wide performance in all gaming segments and recovery of previously provided doubtful debt.

(1) Adjusted EBITDA is the profit for the period before deduction of finance costs, income tax, depreciation and amortization, pre-opening costs, development costs, property charges and other, share-based compensation expenses, payments to the Philippine Parties, land rent to Belle Corporation, corporate expenses, interest income, other income, gains and losses and loss/gain on disposal of subsidiaries. Adjusted EBITDA is used by management as the primary measure of the Group's operating performance and to compare our operating performance with that of our competitors. However, Adjusted EBITDA presented in this announcement may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors.

Profit Attributable to owners of the Company

Profit attributable to owners of the Company increased by 109.4% from HK$164.6 million for the six months ended 30 June 2017 to HK$344.6 million for the six months ended 30 June 2018. The increase was mainly attributable to better group-wide performance in all gaming segments, recovery of previously provided doubtful debt and lower finance costs.

Basic Earnings Per Share

Basic earnings per share increased from HK$0.11 per share for the six months ended 30 June 2017 to HK$0.23 per share for the six months ended 30 June 2018. The increase was mainly attributable to better group-wide performance in all gaming segments, recovery of previously provided doubtful debt and lower finance costs.

Financial and Operational Performance

As at 30 June 2018, the Company indirectly owns approximately 51.06% of Melco Resorts which contributed a majority performance of the Group.

The performance of Melco Resorts during the review period is described below:

According to the unaudited financial results of Melco Resorts, prepared in accordance with the U.S. generally accepted accounting principles, it recorded a net revenue of US$2.5 billion for the six months ended 30 June 2018, versus US$2.6 billion for the six months ended 30 June 2017. The decrease in net revenue was primarily attributable to higher commissions reported as a reduction in revenue upon Melco Resorts' adoption of a new revenue recognition standard issued by the Financial Accounting Standards Board (the "New Revenue Standard"), partially offset by better performance in all gaming segments. Melco Resorts adopted the New Revenue Standard using the modified retrospective method from 1 January 2018. Results for the periods beginning on or after January 1, 2018 are presented under the New Revenue Standard, while prior year amounts are not adjusted and continue to be reported in accordance with the previous basis. Under the previous basis, before the adoption of the New Revenue Standard, net revenue for the six months ended 30 June 2018 would have been US$2.8 billion, which would have represented an increase of approximately 7% from the US$2.6 billion for the comparable period in 2017.

Operating income for the six months ended 30 June 2018 was US$339.2 million, compared with operating income of US$285.9 million for the same period in 2017, representing an increase of 19%.

The Adjusted Property EBITDA[1] for the six months ended 30 June 2018 was US$757.3 million, as compared with Adjusted Property EBITDA of US$682.8 million for the same period in 2017. The 11% year-on-year improvement in Adjusted Property EBITDA was mainly attributable to better group-wide performance in all gaming segments and recovery of previously provided doubtful debt.

Net income attributable to Melco Resorts for the six months ended 30 June 2018 was US$213.9 million, compared with a net income attributable to Melco Resorts of US$149.9 million for the same period in 2017.

City of Dreams

For the six months ended 30 June 2018, net revenue at City of Dreams was US$1,218.2 million versus US$1,337.9 million for the same period in 2017. City of Dreams generated Adjusted Property EBITDA of US$379.5 million for the six months ended 30 June 2018, representing a decrease of 2% compared to US$388.8 million for the same period in 2017.

Gaming Performance

	Six months ended 30 June		
US$'million	**2018**	2017	YoY%
VIP Gaming			
Rolling chip volume	**21,622.5**	24,814.4	-12.9%
Win rate	**3.0%**	2.8%	N/A
Mass Market			
Table drop	**2,364.6**	2,132.9	10.9%
Hold percentage	**30.2%**	34.6%	N/A
Gaming Machine			
Handle	**2,117.6**	1,963.7	7.8%
Win rate	**5.1%**	3.7%	N/A

Non-Gaming Performance

Total non-gaming revenue at City of Dreams for the six months ended 30 June 2018 was US$149.7 million, compared with US$152.3 million in the same period in 2017.

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(1) Adjusted Property EBITDA is earnings before interest, taxes, depreciation and amortization, pre-opening costs, development costs, property charges and other, share-based compensation, payments to the Philippine Parties, land rent to Belle Corporation, corporate and other expenses and other non-operating income and expenses. Adjusted Property EBITDA is used by management as the primary measure of the Melco Resorts' operating performance and to compare our operating performance with that of its competitors. However, Adjusted Property EBITDA presented in this announcement may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors.

Altira Macau

For the six months ended 30 June 2018, net revenue at Altira Macau was US$243.5 million compared to US$216.7 million in the same period in 2017. Altira Macau generated Adjusted Property EBITDA of US$36.3 million for the six months ended 30 June 2018 compared with Adjusted Property EBITDA of US$8.8 million in the same period in 2017. The year-on-year increase in Adjusted Property EBITDA was primarily a result of better performance in all gaming segments.

Gaming Performance

	Six months ended 30 June		
US$'million	**2018**	2017	YoY%
VIP Gaming			
Rolling chip volume	**10,366.7**	8,116.3	27.7%
Win rate	**3.3%**	3.2%	N/A
Mass Market			
Table drop	**271.2**	191.6	41.6%
Hold percentage	**19.5%**	18.0%	N/A
Gaming Machine			
Handle	**56.0**	15.7	257.7%
Win rate	**5.9%**	5.9%	N/A

Non-Gaming Performance

Total non-gaming revenue at Altira Macau for the six months ended 30 June 2018 was US$13.4 million, compared with US$12.7 million in the same period in 2017.

Mocha Clubs

Net revenue from Mocha Clubs totaled US$58.5 million for the six months ended 30 June 2018 as compared to US$60.4 million in the same period in 2017. Mocha Clubs generated US$12.2 million of Adjusted Property EBITDA for the six months ended 30 June 2018 compared with Adjusted Property EBITDA of US$12.7 million in the same period in 2017.

	Six months ended 30 June		
US$'million	**2018**	2017	YoY%
Gaming Machine			
Handle	**1,273.0**	1,195.5	6.5%
Win rate	**4.5%**	4.9%	N/A

Studio City

For the six months ended 30 June 2018, net revenue at Studio City was US$682.6 million compared to US$609.9 million in the same period in 2017. Studio City generated Adjusted Property EBITDA of US$183.3 million for the six months ended 30 June 2018 compared with Adjusted Property EBITDA of US$148.5 million in the same period in 2017. The year-on-year increase in Adjusted Property EBITDA was primarily a result of better performance in all gaming segments.

<u>Gaming Performance</u>

	Six months ended 30 June		
US$'million	**2018**	2017	YoY%
VIP Gaming			
Rolling chip volume	**12,682.8**	8,206.4	54.5%
Win rate	**2.7%**	2.9%	N/A
Mass Market			
Table drop	**1,639.5**	1,317.7	24.4%
Hold percentage	**26.0%**	26.6%	N/A
Gaming Machine			
Handle	**1,196.6**	1,000.3	19.6%
Win rate	**3.5%**	3.7%	N/A

<u>Non-Gaming Performance</u>

Total non-gaming revenue at Studio City for the six months ended 30 June 2018 was US$92.5 million, compared with US$99.4 million in the same period in 2017.

City of Dreams Manila

For the six months ended 30 June 2018, net revenue at City of Dreams Manila was US$316.0 million compared to US$333.6 million in the same period in 2017. City of Dreams Manila generated Adjusted Property EBITDA of US$146.1 million for the six months ended 30 June 2018 compared with US$124.0 million in the same period in 2017. The year-on-year improvement in Adjusted Property EBITDA was primarily a result of better performance in mass market table games segment.

Gaming Performance

	Six months ended 30 June		
US$'million	**2018**	2017	YoY%
VIP Gaming			
Rolling chip volume	**5,738.0**	5,658.1	1.4%
Win rate	**3.3%**	3.5%	N/A
Mass Market			
Table drop	**385.1**	323.6	19.0%
Hold percentage	**31.6%**	28.6%	N/A
Gaming Machine			
Handle	**1,676.8**	1,488.9	12.6%
Win rate	**5.8%**	6.1%	N/A

Non-Gaming Performance

Total non-gaming revenue at City of Dreams Manila for the six months ended 30 June 2018 was US$58.8 million, compared with US$55.7 million in the same period in 2017.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Capital Resources

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

The Group continues to manage its financial position carefully and maintains conservative policies in cash and financial management. As at 30 June 2018, the Group's bank balances and cash (including bank deposits with original maturities over three months) amounted to HK$11,790.5 million (31 December 2017: HK$12,117.0 million) and investments in mutual funds that mainly invest in bonds and fixed interest securities amounted to HK$718.4 million (31 December 2017: HK$699.2 million).

As at 30 June 2018, certain bank credit facilities amounted to HK$11,351.6 million (31 December 2017: HK$12,683.1 million) were available for future drawdown, subject to satisfaction of certain conditions precedent.

Major changes in our indebtedness during the six months ended 30 June 2018 are summarized below:

The Group drew down an aggregated revolving credit facility of US$168 million (equivalent to HK$1,307.0 million) to fund the full repayments of an unsecured bond of HK$760 million and a secured bank loan of HK$546 million at their maturities.

The availability period of an unsecured credit facility amount to Peso2.35 billion (equivalent to HK$341.6 million) was extended from 29 May 2018 to 31 May 2019. This credit facility is available for future drawdown, subject to satisfaction of certain conditions precedent.

Subsequent to 30 June 2018, the Group submitted an irrevocable redemption notice to the facility agent of the Peso15 billion 5% senior notes due 2019 to partially redeem in an aggregate principal amount of Peso5.5 billion (equivalent to HK$799.5 million), together with accrued interest. The redemption is expected to be completed by 31 August 2018.

Gearing Ratio

The gearing ratio, expressed as a percentage of total interest-bearing borrowings divided by total assets, was at 35.1% as at 30 June 2018 (31 December 2017: 35.1%).

Pledges of assets

As at 30 June 2018, borrowings amounting to HK$26,568.0 million (31 December 2017: HK$26,078.4 million) are secured by the following assets of the Group:

a. certain property, plant and equipment;

b. investment properties;

c. certain land and all present and future buildings on and fixtures to such land, and land use rights (or equivalent);

d. certain bank deposits;

e. chattels, receivables and other assets including certain inter-group loans; and

f. issued shares of certain subsidiaries of the Group.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2018.

FINANCIAL RISK

Foreign exchange risk

The Group's principal operations are primarily conducted and recorded in Hong Kong dollar ("HK$"), Macau Patacas ("MOP"), United States dollar ("US$"), Philippine Peso ("Peso"), Euro ("Eur") and Renminbi ("RMB"). The financial statements of foreign operations are translated into HK$ which is the Group's functional and presentation currency. The majority of the Group's revenues are denominated in HK$, while operating expenses are denominated predominantly in MOP, HK$, Peso and Eur. In addition, a significant portion of our indebtedness and certain expenses are denominated in US$.

The HK$ is pegged to the US$ within a narrow range and the MOP is in turn pegged to the HK$, and the exchange rates between these currencies has remained relatively stable over the past several years. Accordingly, the Group does not expect fluctuations in the values of these currencies to have a material impact on the operations. The Group holds bank balances, receivables, deposits and investments in mutual funds denominated in foreign currencies, such as Peso, Eur, New Taiwan dollar and RMB, and consequently exposure to exchange rate fluctuations may arise and may be affected by, among other things, changes in political and economic conditions.

The Group does not currently engage in the hedging transactions with respect to foreign exchange exposure of the revenues and expenses in the day-to-day operations during the period under review. Instead, the Group maintains a certain amount of the operating funds in the same currencies in which the Group has obligations, thereby reducing the exposure to currency fluctuations. However, the Group occasionally enters into foreign exchange transactions as part of financing transactions and capital expenditure programs.

Interest rate risk

The Group is primarily exposed to cash flow interest rate risk in relation to bank balances, restricted cash and borrowings which carried interest at floating rates. The Group attempts to manage interest rate risk by managing the mix of long-term fixed rate borrowings and variable rate borrowings and mitigate the effects of fluctuations in cash flows.

HUMAN RESOURCES

Headcount and Employees' Information

The total number of the Group's employees was 21,678 as of 30 June 2018 (31 December 2017: 19,844). Among the 21,678 employees, 376 are located in Hong Kong and the rest of 21,302 are located respectively in Macau, the Philippines, Cyprus and US. The related staff costs for the six months ended 30 June 2018, including directors' emoluments and share-based compensation expenses, amounted to HK$3,156.6 million (six months ended 30 June 2017: HK$3,415.3 million).

Melco International believes that the key to success lies in its people. The Group strives to create an environment that makes employees proud to be part of it. All employees are given equal opportunities for advancement and personal growth. The Group believes through growing its business, it will be able to create opportunities and deliver value to its people. Thus, the Group encourages its employees to do their best at work and grow with the Group. Melco International builds employees' loyalty through recognition, involvement and participation. Melco International's people policy, systems and practices are directly aligned with the Group's mission and values which contribute to its success.

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 by using different available financing options. The Company will also provide the required equity capital to new projects coming ahead should it be deemed appropriate.

INTERIM DIVIDEND

Pursuant to the dividend policy announced by the Company on 28 March 2014 (the "Dividend Policy"), it is the Company's intention to provide shareholders with semi-annual dividends in an aggregate amount per year of approximately 20% of the Company's annual consolidated net income attributable to the shareholders. The Dividend Policy also allows the Company to declare special dividends from time to time.

For the six months ended 30 June 2018, the Group recorded a profit attributable to shareholders of HK$344.6 million. The Board has resolved to declare an interim dividend of HK4.5 cents per share for the six months ended 30 June 2018 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 19 September 2018. The dividend is expected to be paid on Friday, 5 October 2018.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 17 September 2018 to Wednesday, 19 September 2018, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share certificates with completed transfer forms must be lodged with the Company's share registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 14 September 2018.

CORPORATE GOVERNANCE CODE

In 2005, the Company adopted its Code on Corporate Governance (the "Company Code"), which sets out the corporate standards and practices used by the Company in directing and managing its business affairs. The Company Code was prepared and revised from time to time with reference to the principles, code provisions and recommended best practices stipulated in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules. The Company Code not only formalizes the Company's existing corporate governance principles and practices, it also serves to assimilate practices with benchmarks prescribed by the Hong Kong Stock Exchange, ultimately ensuring that the Company runs a highly transparent operation and is accountable to its shareholders.

Apart from the deviation mentioned below, the Company has complied with the Company Code and the code provisions of the CG Code during the six months ended 30 June 2018.

Under Paragraph A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer of a listed company should be separate and performed by different individuals. However, in view of the current 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, 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 until such time as the Board considers that such roles should be assumed by different persons.

The Company sets 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. Corporate Governance Committee;
f. Finance Committee; and
g. Regulatory Compliance Committee.

Terms of reference of the aforesaid committees have been posted on the Company's website at www.melco-group.com under the "Corporate Governance" section.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code for dealing in the Company's securities by Directors and relevant employees, who are likely to be in possession of inside information in relation to the securities of the Company (the "Code of Securities Dealings") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules. We have received confirmation from all Directors that they have complied with the required standards as set out in the Code of Securities Dealings throughout the six months ended 30 June 2018.

AUDIT COMMITTEE

The Company's Audit Committee is currently composed of a Non-executive Director and two Independent Non-executive Directors. The primary duties of the Audit Committee are (i) to review the annual reports, interim reports and financial statements of the Group and to provide advice and comments thereon to the Board; (ii) to review and supervise the Group's financial reporting process; and (iii) to oversee the Group's risk management and internal control systems. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2018.

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

During the six months ended 30 June 2018, the Company repurchased a total of 4,224,000 shares of the Company at an aggregate consideration of HK$114,713,300 (before expenses) on the Hong Kong Stock Exchange. All the repurchased shares were subsequently cancelled.

Particulars of the repurchase during the period are as follows:

Month of share repurchase	**Number of shares repurchased**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate consideration paid (before expenses)**
		HK$	*HK$*	*HK$*
April 2018	4,224,000	28.20	25.30	114,713,300

The repurchases were made with a view to enhancing the net assets and earnings per share of the Company.

Save as disclosed above, during the six months ended 30 June 2018, 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 2018 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 Messrs. Ernst & Young, the Company's auditor.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises three Executive Directors, namely, Mr. Ho, Lawrence Yau Lung (Chairman and Chief Executive Officer), Mr. Evan Andrew Winkler (President and Managing Director) and Mr. Chung Yuk Man, Clarence; two Non-executive Directors, namely, Mr. Tsui Che Yin, Frank and Mr. Ng Ching Wo; and two Independent Non-executive Directors, namely, Mr. Chow Kwong Fai, Edward and Dr. Tyen Kan Hee, Anthony.

By Order of the Board of
Melco International Development Limited
Ho, Lawrence Yau Lung
Chairman and Chief Executive Officer

Hong Kong, 27 August 2018