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**MELCO**

**Melco International Development Limited**

*(Incorporated in Hong Kong with limited liability)*

Website: <http://www.melco-group.com>

(Stock Code: 200)

**INTERIM RESULTS  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

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-month period ended 30 June 2017 as follows:

**FINANCIAL HIGHLIGHTS**

1. Net revenue for the six-month period ended 30 June 2017 increased by more than 260% to HK\$20.1 billion, as compared to HK\$5.5 billion for the six-month period ended 30 June 2016.
2. Adjusted EBITDA for the six-month period ended 30 June 2017 increased by more than 290% to HK\$4.7 billion, as compared to HK\$1.2 billion for the six-month period ended 30 June 2016.
3. Net asset value per share attributable to owners of the Company was HK\$12.3 as of 30 June 2017, as compared to HK\$14.5 as of 31 December 2016. The decrease was mainly due to deployment of internal resources for acquisition of additional interest of Melco Resorts & Entertainment Limited to the Group in 2017. Net assets value was HK\$45.0 billion as of 30 June 2017.
4. An interim dividend of HK2.2 cents per share was declared for the six-month period ended 30 June 2017.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

		Six-month period ended 30 June	
	Notes	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	20,109,501	5,548,887
Other income, gains and losses		71,997	42,916
Purchases and changes in inventories of finished goods and work in progress		(400,689)	(172,980)
Raw materials and consumables used		–	(5,712)
Employee benefits expenses		(3,415,342)	(1,128,339)
Depreciation and amortization		(2,481,923)	(896,143)
Special gaming tax, other license fees and other related taxes		(8,349,759)	(2,197,564)
Gain on deemed disposal of previously held interest in an associate			
– Gain on remeasurement of previously held equity interest		–	10,440,376
– Reclassification of previously accumulated exchange reserve upon deemed disposal		–	(54,912)
Gain on disposal of a subsidiary	10	161,228	–
Other expenses		(3,873,992)	(1,254,322)
Finance costs		(1,400,849)	(383,678)
Share of profits and losses of joint ventures		16	(1,964)
Share of profits and losses of associates		(1,992)	180,890
Profit before tax		418,196	10,117,455
Income tax expense	5	(62,764)	(10,680)
Profit for the period		355,432	10,106,775

	Six-month period ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Other comprehensive income/(loss)</b>		
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</i>		
Available-for-sale investments:		
Change in fair value	(11,754)	(1,702)
Cash flow hedges:		
Effective portion of changes in fair value of interest rate swap agreements arising during the period	–	213
Exchange differences:		
Exchange differences on translation of foreign operations	(12,069)	(1,140)
Reclassification of exchange reserve upon disposal of interest in a subsidiary	813	–
Reclassification of exchange reserve upon deemed disposal of interest in an associate	–	54,912
Share of exchange differences of joint ventures	–	4
Share of exchange differences of associates	–	1,052
	(23,010)	53,339
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:</i>		
Actuarial loss arising from defined benefit obligations	(502)	–
Other comprehensive income/(loss) for the period, net of tax	(23,512)	53,339
Total comprehensive income for the period	331,920	10,160,114

		<b>Six-month period ended</b>	
		<b>30 June</b>	
		<b>2017</b>	<b>2016</b>
<i>Note</i>		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit/(loss) for the period attributable to:			
	Owners of the Company	<b>164,586</b>	10,367,403
	Non-controlling interests	<b>190,846</b>	(260,628)
		<u><b>355,432</b></u>	<u>10,106,775</u>
Total comprehensive income/(loss)			
for the period attributable to:			
	Owners of the Company	<b>149,498</b>	10,422,653
	Non-controlling interests	<b>182,422</b>	(262,539)
		<u><b>331,920</b></u>	<u>10,160,114</u>
Earnings per share attributable to owners			
of the Company			
		<b>7</b>	
	Basic	<u><b>HK\$0.11</b></u>	<u>HK\$6.73</u>
	Diluted	<u><b>HK\$0.10</b></u>	<u>HK\$6.72</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

		<b>30 June 2017</b>	31 December 2016
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>46,775,295</b>	47,041,603
Investment properties		<b>190,000</b>	190,000
Land use rights		<b>5,636,953</b>	5,719,981
Gaming license and subconcession		<b>5,447,390</b>	5,991,892
Goodwill		<b>5,299,451</b>	5,299,451
Trademarks		<b>16,992,458</b>	16,992,458
Other intangible assets		<b>15,517</b>	15,864
Investments in associates		<b>13,858</b>	17,988
Investments in joint ventures		<b>–</b>	230
Trade receivables	8	<b>28,964</b>	44,803
Prepayments, deposits and other receivables		<b>1,584,097</b>	1,370,141
Other financial assets		<b>70,115</b>	138,527
Deferred tax assets		<b>2,166</b>	1,640
<b>Total non-current assets</b>		<b>82,056,264</b>	82,824,578
<b>Current assets</b>			
Land use rights		<b>166,057</b>	166,057
Inventories		<b>254,930</b>	255,724
Trade receivables	8	<b>1,303,526</b>	1,757,370
Prepayments, deposits and other receivables		<b>533,049</b>	1,397,381
Tax recoverable		<b>62</b>	406
Other financial assets		<b>328,481</b>	359,794
Bank deposits with original maturities over three months		<b>594,123</b>	3,161,902
Cash and bank balances		<b>11,729,334</b>	13,727,720
<b>Total current assets</b>		<b>14,909,562</b>	20,826,354

		<b>30 June 2017</b>	31 December 2016
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Current liabilities</b>			
Trade payables	9	<b>133,247</b>	148,328
Other payables, accruals and deposits received		<b>10,844,921</b>	10,866,662
Tax payable		<b>47,796</b>	74,328
Interest-bearing borrowings		<b>1,784,247</b>	398,960
Obligations under finance leases		<b>246,804</b>	239,079
<b>Total current liabilities</b>		<b>13,057,015</b>	11,727,357
<b>Net current assets</b>		<b>1,852,547</b>	9,098,997
<b>Total assets less current liabilities</b>		<b>83,908,811</b>	91,923,575
<b>Non-current liabilities</b>			
Other payables and accruals		<b>441,519</b>	389,951
Interest-bearing borrowings		<b>33,992,854</b>	30,011,421
Deferred tax liabilities		<b>2,471,664</b>	2,437,570
Obligations under finance leases		<b>2,028,628</b>	2,041,140
<b>Total non-current liabilities</b>		<b>38,934,665</b>	34,880,082
<b>Net assets</b>		<b>44,974,146</b>	57,043,493
<b>Equity</b>			
Share capital		<b>5,473,308</b>	5,437,303
Reserves		<b>13,331,620</b>	16,910,443
Equity attributable to owners of the Company		<b>18,804,928</b>	22,347,746
Non-controlling interests		<b>26,169,218</b>	34,695,747
<b>Total equity</b>		<b>44,974,146</b>	57,043,493

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

### 1. GENERAL

The Company is a public limited company incorporated in Hong Kong as an investment holding company with limited liability. The address of its registered office 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").

### 2.1 BASIS OF PRESENTATION

The unaudited condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard 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 financial information relating to the year ended 31 December 2016 that is included in this 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 2016 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 predecessor auditor has reported on those financial statements. The auditor's report for the year ended 31 December 2016 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 BASIS OF PREPARATION

The accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial information are consistent with those of the Group as set out in the Group's annual financial statements for the year ended 31 December 2016, except for the following revised Hong Kong Financial Reporting Standards (the "HKFRSs") that have been adopted by the Group for the first time in 2017 for the current period's interim financial information.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12	<i>Disclosure of Interests in Other Entities</i> included in <i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>

The adoption of these revised HKFRSs has had no significant financial effect on the interim financial information.

## 2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the interim financial information.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions<sup>1</sup></i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts<sup>1</sup></i>
HKFRS 9	<i>Financial Instruments<sup>1</sup></i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
HKFRS 15	<i>Revenue from Contracts with Customers<sup>1</sup></i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers<sup>1</sup></i>
HKFRS 16	<i>Leases<sup>2</sup></i>
Amendments to HKAS 40	<i>Transfers of Investment Property<sup>1</sup></i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration<sup>1</sup></i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments<sup>2</sup></i>
Annual Improvements 2014-2016 Cycle	Amendments to
	– HKFRS 1 <i>First-time adoption of Hong Kong Financial Reporting Standards</i>
	– HKAS 28 <i>Investments in associates and joint ventures<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> No mandatory effective date yet determined but available for adoption

### 3. REVENUE

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

	Six-month period ended	
	30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Casino revenue	18,711,124	5,003,966
Entertainment and resort facilities revenue:		
Entertainment, retail and others	748,751	215,168
Catering service income	353,842	147,648
Rooms	277,951	85,838
Lottery business:		
Provision of services and solutions for distribution of lottery products	396	394
Trading of lottery terminals and parts	9,586	33,644
Electronic gaming machines participation	5,234	47,653
Manufacture and distribution of gaming chips and plaques	–	12,476
Property rental income	1,849	2,100
Others	768	–
	<u>20,109,501</u>	<u>5,548,887*</u>

\* The revenue amount included the revenue of Melco Resorts & Entertainment Limited ("Melco Resorts") (formerly known as Melco Crown Entertainment Limited) from the date of the deemed acquisition of Melco Resorts on 9 May 2016.

### 4. OPERATING SEGMENT INFORMATION

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

- (a) the "Casino and Hospitality" segment, which comprises operation of casino and provision of hospitality through Melco Resorts; and
- (b) the "Others" segment comprises, principally, other gaming, leisure and entertainment, and property investments.

The Group is principally engaged in the gaming, leisure and entertainment and property investments and upon completion of the deemed acquisition of Melco Resorts, the Casino and Hospitality businesses has become the new operating segment of the Group in the annual financial statements since the year ended 31 December 2016. For segment reporting purpose, the other operating segments disclosed in prior interim period including other gaming, leisure and entertainment and property investments are aggregated and reported under "Others" as none of these operating segments meet any of the quantitative thresholds for determining reportable segments. Accordingly, the comparative information has been restated.

Management monitors the results of the Group's operating 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 options expenses, share award expenses, payments to SM Investments Corporation, Belle Corporation and PremierLeisure and Amusement, Inc. ("the Philippine Parties"), land rent to Belle Corporation, corporate expenses, interest income, other income, other gains and losses, gain on disposal of a subsidiary, gain on deemed disposal of partial interest in an associate and gain on deemed disposal of previously held interest in an associate. 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 deferred tax assets and other corporate unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude certain borrowings, which are for corporate use, dividend payable, deferred tax liabilities and other corporate unallocated liabilities as these liabilities are managed on a group basis.

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

Six-month period ended 30 June 2017 (Unaudited):

	<b>Casino and Hospitality HK\$'000</b>	<b>Others HK\$'000</b>	<b>Total HK\$'000</b>
<b>Segment revenue:</b>			
Sales to external customers	20,050,677	58,824	20,109,501
Intersegment sales	<u>2,206</u>	<u>–</u>	<u>2,206</u>
	20,052,883	58,824	20,111,707
Elimination of intersegment sales			<u>(2,206)</u>
Total revenue			<u><u>20,109,501</u></u>
<b>Adjusted EBITDA</b>	<b>4,760,231</b>	<b>(28,269)</b>	<b>4,731,962</b>
Adjusted items for Adjusted EBITDA:			
Share options expenses			(100,597)
Share award expenses			(104,230)
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, other gains and losses			89,746
Finance costs			(1,400,849)
Corporate expenses			<u>(115,614)</u>
Profit before tax			<u><u>418,196</u></u>

Six-month period ended 30 June 2016 (Unaudited and restated):

	Casino and Hospitality <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue:</b>			
Sales to external customers	5,411,741	137,146	5,548,887
Intersegment sales	<u>474</u>	<u>–</u>	<u>474</u>
	5,412,215	137,146	5,549,361
Elimination of intersegment sales			<u>(474)</u>
Total revenue			<u><u>5,548,887</u></u>
<b>Adjusted EBITDA</b>	1,205,571	(18,018)	1,187,553
Adjusted items for Adjusted EBITDA:			
Share options expenses			(43,538)
Share award expenses			(47,830)
Depreciation and amortization			(896,143)
Pre-opening costs			(476)
Development costs			(8)
Property charges and other			(10,327)
Payments to the Philippine Parties			(43,763)
Land rent to Belle Corporation			(4,384)
Interest income			21,359
Other income, other gains and losses			21,557
Gain on deemed disposal of previously held interest in an associate			
– Gain on remeasurement of previously held equity interest			10,440,376
– Reclassification of previously accumulated exchange reserve upon deemed disposal			(54,912)
Finance costs			(383,678)
Corporate expenses			<u>(68,331)</u>
Profit before tax			<u><u>10,117,455</u></u>

The following is an analysis of the Group's assets and liabilities by operating segments:

**30 June 2017 (Unaudited):**

	<b>Casino and Hospitality HK\$'000</b>	<b>Others HK\$'000</b>	<b>Total HK\$'000</b>
<b>Segment assets</b>	<b>95,308,660</b>	<b>1,582,611</b>	<b>96,891,271</b>
Corporate and other unallocated assets			<u>74,555</u>
Total assets			<u><u>96,965,826</u></u>
<b>Segment liabilities</b>	<b>42,645,172</b>	<b>91,991</b>	<b>42,737,163</b>
Corporate and other unallocated liabilities			<u>9,254,517</u>
Total liabilities			<u><u>51,991,680</u></u>

**31 December 2016 (Audited):**

	<b>Casino and Hospitality HK\$'000</b>	<b>Others HK\$'000</b>	<b>Total HK\$'000</b>
<b>Segment assets</b>	<b>101,100,921</b>	<b>2,467,705</b>	<b>103,568,626</b>
Corporate and other unallocated assets			<u>82,306</u>
Total assets			<u><u>103,650,932</u></u>
<b>Segment liabilities</b>	<b>42,672,897</b>	<b>85,842</b>	<b>42,758,739</b>
Corporate and other unallocated liabilities			<u>3,848,700</u>
Total liabilities			<u><u>46,607,439</u></u>

## 5. INCOME TAX EXPENSE

	Six-month period ended	
	30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Macau Complementary Tax	95	3,023
Lump sum in lieu of Macau Complementary tax on dividends	10,874	3,625
Hong Kong Profits Tax	7,379	470
People's Republic of China ("PRC") Enterprise Income Tax	83	458
PRC Capital Gains Tax	31,980	–
Other jurisdictions	364	1,678
Sub-total	50,775	9,254
Overprovision in prior periods:		
Macau Complementary Tax	(18,496)	–
Other jurisdictions	(3,247)	(37)
Sub-total	(21,743)	(37)
Deferred tax	33,732	1,463
Total	62,764	10,680

Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Macau Complementary Tax has been provided at 12% on the estimated taxable income earned in or derived from Macau during the period, if applicable. Melco Resorts (Macau) Limited ("Melco Resorts Macau") (formerly known as Melco Crown (Macau) Limited) has been exempted from Macau Complementary Tax on profits generated by gaming operations until 2021 pursuant to the approval notices issued by the Macau Government. One of the Company's subsidiaries in Macau has also been exempted from Macau Complementary Tax on profits generated from income received from Melco Resorts Macau until 2021, to the extent that such income is derived from Studio City gaming operations pursuant to the approval notices issued by the Macau Government. The exemption coincides with Melco Resorts Macau's exemption from Macau Complementary Tax. The non-gaming profits and dividend distributions of such subsidiary to its shareholders continue to be subject to Macau Complementary Tax. The non-gaming profits of Melco Resorts Macau also remain subject to the Macau Complementary Tax and Melco Resorts Macau casino revenues remain subject to the Macau special gaming tax and other levies in accordance with its gaming subconcession agreement.

The casino operations of Melco Resorts Leisure (PHP) Corporation (“MRP Leisure”) (formerly known as MCE Leisure (Philippines) Corporation), the operator of City of Dreams – Manila, were previously subject to Philippine Corporate Income Tax at the rate of 30% on the estimated taxable income earned in or derived from the Philippines during the period, based on Revenue Memorandum Circular No. 33-2013 issued by the Bureau of Internal Revenue (“BIR”) in April 2013. On 10 August 2016, the Supreme Court of the Philippines (the “Supreme Court”) found in the case of Bloomberry Resorts and Hotels, Inc. vs. the BIR, G. R. No. 212530 that all contractees and licensees of the Philippine Amusement and Gaming Corporation (“PAGCOR”), shall be exempted from tax, including Philippine Corporate Income Tax realized from the casino operations, upon payment of the 5% franchise tax. The BIR subsequently filed a Motion for Reconsideration of the said decision, which was denied by the Supreme Court in a resolution dated 28 November 2016. Based on the Supreme Court decision, MRP Leisure’s gaming operations should be exempt from Philippine Corporate Income Tax, among other taxes, provided the license fees which are inclusive of the 5% franchise tax under the terms of the PAGCOR charter, are paid.

Pursuant to a tax concession arrangement for shareholders of Melco Resorts Macau approved by the Macau Government in 2013, an annual lump sum amount of MOP22,400,000 (equivalent to HK\$21,748,000) is payable by Melco Resorts Macau to the Macau Government effective retroactively from 2012 through 2016 coinciding with the 5-year tax holiday mentioned above, as payments in lieu of Macau Complementary Tax otherwise due by the shareholders of Melco Resorts Macau on dividend distributions from gaming profits. Such annual lump sum tax payments are required regardless of whether dividends are actually distributed or whether Melco Resorts Macau has distributable profits in the relevant year. Melco Resorts Macau has also applied for an additional 5-year extension for the tax concession arrangement. Such application is being reviewed by the Macau Government as of the date of the approval of these condensed consolidated interim financial information for issuance.

During the six-month period ended 30 June 2017, the Company disposed of a subsidiary and according to the sale and purchase agreement, the Company is responsible to report and settle the taxes in relation to the Public Notice No. 7 issued by the State Administration of Taxation of the PRC. Capital Gains Tax provision of approximately HK\$31,980,000 has been made in the current period. Particulars regarding the disposal of the subsidiary are disclosed in Note 10.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

## **6. DIVIDENDS**

During the six-month period ended 30 June 2017, a special final dividend of HK2.0 cents per share, totalling approximately HK\$30,876,000, in respect of the year ended 31 December 2016 was declared to the shareholders of the Company (six-month period ended 30 June 2016: HK2.0 cents per share, totalling approximately HK\$30,933,000, in respect of the year ended 31 December 2015 was declared to the shareholders of the Company).

Subsequent to the end of the current interim period, the Board has determined that an interim dividend of HK2.2 cents per share, totalling approximately HK\$33,670,000 (six-month period ended 30 June 2016: a special interim dividend of HK1.5 cents per share, totalling approximately HK\$23,200,000), will be paid to the shareholders of the Company.

## 7. 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:

	<b>Six-month period ended</b>	
	<b>30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	<b>164,586</b>	10,367,403*
Effect of dilutive potential ordinary shares:		
Adjustment in relation to share options and awarded shares issued by the subsidiaries of the Company	<b>(5,849)</b>	(984)
Earnings for the purpose of diluted earnings per share	<b>158,737</b>	10,366,419
	<b>Six-month period ended</b>	
	<b>30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,530,667,772</b>	1,539,537,391
Effect of dilutive potential ordinary shares:		
Share options and awarded shares issued by the Company	<b>13,084,229</b>	3,622,644
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,543,752,001</b>	1,543,160,035

The number of shares adopted in the calculation of the basic and diluted earnings per share has been arrived at after eliminating the shares of the Company held under the Company's share award schemes.

During the six-month period ended 30 June 2017 and 2016, the computation of diluted earnings per share does not assume the exercise of certain of the Company's certain share options and the vesting of certain unvested awarded shares under the Company's long-term incentive schemes because the adjusted exercise prices of those options and unvested awarded shares are higher than the average market price of the Company's shares. In addition, the potential ordinary shares of other subsidiaries of the Company had potential dilutive effect and adjusted the earning for the purpose of diluted earnings per share.

\* Earnings for the six-month period ended 30 June 2016 attributable to owners of the Company included the gain on deemed disposal of previously held interest in an associate amounting to approximately HK\$10,385,464,000.

## 8. TRADE RECEIVABLES

In relation to the gaming operations from the Casino and Hospitality segment, the Group grants unsecured credit lines to gaming promoters based on pre-approved credit limits. The Group typically issues markers to gaming promoters with a credit period of 30 days. There are some gaming promoters for whom credit is granted on a revolving basis based on the Group's monthly credit risk assessment of these gaming promoters.

Credit lines granted to all gaming promoters are subject to monthly review and settlement procedures. For certain approved casino customers, the Group typically allows a credit period of 14 to 28 days on issuance of markers following investigations of creditworthiness. An extended repayment term of typically 90 days may be offered to casino customers with large gaming losses and established credit history.

The Group's trade receivables related to the rooms, food and beverage, entertainment and retail from the Casino and Hospitality segment and Others segment are largely operated on cash on delivery or due immediately on the date of billing, except for those well-established customers to whom credit terms of 30 to 120 days would be granted.

The Group allows credit periods ranging from 30 to 180 days to its trade customers related to the lottery business from Others segment.

The Group allows credit periods of 15 to 30 days to its trade customers related to the electronic gaming machines participation and gaming chips and plaques business from Others segment.

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

	<b>30 June 2017 HK\$'000 (Unaudited)</b>	<b>31 December 2016 HK\$'000 (Audited)</b>
Within 1 month	<b>1,143,968</b>	1,666,139
More than 1 month but within 3 months	<b>116,930</b>	191,780
More than 3 months but within 6 months	<b>75,763</b>	62,690
More than 6 months	<b>268,440</b>	100,661
	<b>1,605,101</b>	2,021,270
Provision for impairment	<b>(272,611)</b>	(219,097)
	<b>1,332,490</b>	1,802,173
Less: Non-current portion	<b>(28,964)</b>	(44,803)
Current portion	<b>1,303,526</b>	1,757,370

## 9. TRADE PAYABLES

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

	<b>30 June 2017 HK\$'000 (Unaudited)</b>	<b>31 December 2016 HK\$'000 (Audited)</b>
Within 1 month	<b>122,976</b>	123,092
1 to 3 months	<b>5,246</b>	15,999
Over 3 months	<b>5,025</b>	9,237
	<hr/>	<hr/>
	<b>133,247</b>	148,328
	<hr/> <hr/>	<hr/> <hr/>

The trade payables are non-interest bearing. The average credit term on purchases of goods is 90 days.

## 10. DISPOSAL OF A SUBSIDIARY

On 29 May 2017, the Company entered into an agreement with an independent third party to dispose of its entire shares of 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 a subsidiary is as follows:

	<b>2017</b> <i>HK\$'000</i> (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)
	<hr/>
	160,195
Exchange reserve	813
	<hr/>
	161,008
Gain on disposal of a subsidiary	161,228
	<hr/>
Total consideration	322,236
	<hr/> <hr/>
Satisfied by:	
Cash	322,236
	<hr/> <hr/>

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

	<b>2017</b> <i>HK\$'000</i>
Cash consideration	322,236
Cash and bank balances disposed of	(318,233)
	<hr/>
Net inflow of cash and cash equivalents in respect of the disposal of the subsidiary	4,003
	<hr/> <hr/>

## **MANAGEMENT DISCUSSION & ANALYSIS**

### **SIGNIFICANT EVENTS AND DEVELOPMENTS**

In the first half of 2017, Melco International undertook several milestone decisions to position the business long-term to continue capturing future growth – both in Macau and around the world. The Group is now more strongly placed to advance our mission of leading the world in leisure and entertainment.

In February 2017, Melco International completed the purchase of additional interest in, thereby assuming majority ownership of, Melco Resorts & Entertainment Limited (“Melco Resorts”, formerly known as Melco Crown Entertainment Limited). This move was a clear demonstration of our faith in Macau’s long-term growth potential, as well as in driving our core business in integrated resorts. With our formal relationship with Crown Resorts Limited having concluded in May, it also marked the completion of the world’s most successful global gaming partnership.

Melco International has taken major steps in recent months to advance our support of the development of world-class integrated resorts around the world – and especially in Japan. In February, the Group unveiled the inspiration behind the potential concept for a Japanese integrated resort celebrating the best of Japan and its culture. We also reaffirmed that our commitment to Japan is for the long term, pledging to work with the Japanese government, as well as local partners and communities.

In June 2017, the joint venture company (“Cyprus Project Company”) to which Melco International is a 35.37% shareholder was granted the first and only casino resort licence from the government of The Republic of Cyprus (“Cyprus Government”). The Company has also entered into an agreement to purchase Seminole HR Holdings, LLC’s entire interest in the project, completion of which is subject to Cyprus Government’s approval. After completion, Melco International will assume a majority stake of a 70.74% shareholding in the Cyprus Project Company. As our first European integrated resort, the uniqueness of this project will further accelerate our integrated resort proposition around the world. We are confident that working together with the Cyprus Government, we are well-positioned to meaningfully contribute to the local economy of and tourism sector in Cyprus.

In line with our strategy to increase focus on our core businesses and improve efficiency across the Group, we additionally completed two transactions in the first half of the year. Entertainment Gaming Asia Inc. (“EGT”), a formerly NASDAQ-listed company in which we held a 64.84% effective equity interest, is now an indirect wholly-owned subsidiary of us. We have also divested our 40.65% equity interest in MelcoLot Limited (“MelcoLot”), a company engaged in the provision of lottery-related technologies, systems and solutions in the People’s Republic of China (“PRC”).

## **CORE BUSINESS**

### **Gaming Business in Asia**

We operate our gaming business primarily through our subsidiary Melco Resorts, a developer, owner and operator of casino gaming and entertainment casino resort facilities in Asia, of which Melco International assumed sole majority ownership on 16 February 2017. Melco International now holds an approximately 51.22% stake in Melco Resorts.

Melco Resorts currently operates Altira Macau, a casino hotel located at Taipa, Macau; City of Dreams, an integrated urban casino resort located in Cotai, Macau; and Mocha Clubs, the largest non-casino based operations of electronic gaming machines in Macau. It also majority owns and operates Studio City, a cinematically-themed integrated entertainment, retail and gaming resort in Cotai, Macau. In the Philippines, a Philippines 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.

In the first half of 2017, Melco Resorts managed to achieve a strong set of operating and financial results, despite the ongoing challenges in the Macau gaming market. Net revenue increased year-over-year by more than 18.5% to US\$2.6 billion, while consolidated Adjusted Property EBITDA<sup>(1)</sup> grew by more than 38.2% to US\$682.8 million. Both improvements were mainly attributable to improved performance in the group-wide rolling chip and mass market table games segments.

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<sup>(1)</sup> Adjusted Property EBITDA is earnings before interest, taxes, depreciation, amortization, pre-opening costs, development costs, property charges and other, share-based compensation, payments to the Philippine Parties, land rent to Belle Corporation, net gain on disposal of property and equipment to Belle Corporation, corporate and others expenses and other non-operating income and expenses. Adjusted Property EBITDA is presented exclusively as supplemental disclosures and may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors.

### ***City of Dreams***

City of Dreams 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 2017, the property operates on average 480 gaming tables and 800 gaming machines. It is currently in its final phase of development.

City of Dreams' Phase 3 includes its new hotel tower, Morpheus, which is the very first hotel brand to be created and developed by the Company. With its grand opening scheduled for the first half of 2018, the arrival of Morpheus will herald the start of a new era of hospitality sophistication in Macau, one with the potential to attract new visitors from around the world. Designed by the late legendary architect, the "Queen of the Curve" in architecture, Dame Zaha Hadid, the hotel will represent a new contemporary, simple yet stunning, and sophisticated kind of luxury like no other. This, taken together with the redevelopment of The Countdown Hotel, will create an overall property with approximately 2,100 five-star and luxury hotel rooms, convening a feast of amazing restaurants and retail space.

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 offering, City of Dreams has consistently strengthened its position as the leading premium-mass market leisure destination in Macau.

### ***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. Since its grand opening in October 2015, Studio City, Asia's Entertainment Capital, has attracted millions of visitors and received critical acclaims from around the world. In the first half of 2017, the property operates on average 284 gaming tables and 976 gaming machines.

Fully operational since 2016, Studio City's mass table games revenues continue to increase, buffeted by the property's enthralling entertainment offerings. Over the first half of 2017, it has posted healthy year-on-year improvement in Adjusted EBITDA, driven by rolling chip operations active since November 2016 and strengthening performance in the mass market table games segment.

### ***Altira Macau***

Altira Macau is designed to provide a casino and hotel experience that caters to Asian rolling chip customers sourced primarily through gaming promoters. Located in the heart of Taipa, it is an oasis of sophistication with spectacular panoramic views of the Macau Peninsula. By consistently delivering impeccable service tailored to each guest, both Altira Macau and Altira Spa have attained the highest Five-Star award ratings for eight consecutive years in the 2017 Forbes Travel Guide. In the first half of 2017, Altira Macau operates an average of 111 gaming tables and 56 gaming machines.

### ***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 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 2017, Mocha Clubs operates seven clubs with a total of 1,208 gaming machines.

### ***City of Dreams Manila***

Beyond Macau, City of Dreams Manila, strategically located at the gateway of Entertainment City, Manila, has continued to deliver an unparalleled entertainment and hospitality experience to the Philippines, highlighting the Group's success in its first foray into an entertainment and gaming market outside of Macau. This dynamic integrated resort boasts the ultimate in entertainment, hotel, retail and dining and lifestyle experiences with aggregated gaming space, including VIP and mass-market gaming facilities with an average of 274 gaming tables and 1,775 gaming machines in the first half of 2017.

### **Gaming Machine Leasing Business in Southeast Asia**

EGT, a company formerly listed on the NASDAQ Capital Market, is now an indirect wholly-owned subsidiary of the Group. In June 2017, Melco International initiated an unsolicited indirect cash tender offer of all outstanding shares of common stock of EGT, other than the shares owned by Melco International and its affiliates, followed by a short-term merger. The transaction resulted in Melco International's holding increased from a previous effective equity interest of approximately 64.84% to 100%. EGT was subsequently delisted and removed from the NASDAQ Capital Market on 22 June 2017.

EGT's current operations involve the ownership and leasing of electronic gaming machines placed in gaming locations on a revenue sharing (participation) basis in the Philippines market. As of 30 June 2017, EGT had 406 machine seats in operation at two gaming venues in the Philippines. The company is also developing a social gaming platform, currently in beta testing, called City of Games, which is targeted for usage across Pan-Asian markets.

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

Previously, the Group held a 40.65% equity interest in MelcoLot, who is engaged in the provision of lottery-related technologies, systems and solutions in the PRC. On 29 May 2017, as part of the Group's development plan, Melco International entered into a sale and purchase agreement with 500.com Limited ("500.com"), pursuant to which the Group agreed to sell, and 500.com agreed to purchase 40.65% of the issued share capital of MelcoLot held by the Group. The sale was concluded on 6 June 2017, at a price of HK\$0.252 per MelcoLot share for an aggregate consideration of approximately HK\$322 million, and MelcoLot is no longer a subsidiary of the Group.

## OUTLOOK

The first six months of 2017 continued to return signs of recovery in our core market of Macau. In both the VIP and the mass market segments, patrons are returning to the tables. With increasing tourist arrivals propelled by expanding Chinese outbound tourism, particularly in the premium-mass and mass segments, we believe Macau is entering a new phase of growth. We also expect the city is well-placed to sustain its position as a key beneficiary of favorable visitation patterns. Several major infrastructure developments, including the opening of the new Pac On Ferry Terminal, the ongoing development of Hengqin Island and the impending completion of the Hong Kong-Zhuhai-Macau Bridge, are substantially widening tourists' ease of access, particularly for overnight visitors around the region.

Nevertheless, we remain conscious of and continue to assess the impact of potential downside risks. The implementation of Macau's recently passed casino smoking ban will introduce some near-term uncertainty into our business and the industry at large, as well as necessitate operational changes. We are also cautiously optimistic about the strong VIP volume registered in the first half and will continue to monitor the ongoing structural changes in this segment over the months ahead.

Long-term, we remain focused in Macau on the mass segment as a sustainable driver for both growth and profit. We will also continue to invest in enhancing our exposure to both VIP and mass gamers, as well as the broader tourism market. We also expect Studio City's overall visitor numbers and foot traffic to improve once the Macau Light Rail project is completed (which is currently expected in 2019) given its strategic location in Cotai as the only property directly adjacent to the Lotus Bridge immigration checkpoint which links Cotai with Hengqin Island in Zhuhai and one of the few dedicated Cotai hotel-casino resort stops planned on the Macau Light Rail Transit Line. City of Dreams, meanwhile, will further reinforce its competitive position in the premium-mass segment upon the launch of Morpheus, which is on track to have its grand opening in the first half of 2018. This final development phase for our flagship resort will add almost 800 luxury rooms, suites and villas to complement a unique array of new restaurant concepts, all designed to capture greater non-gaming spend from the increasingly influential premium-mass consumer.

While a luxury hotel and entertainment concept targeted squarely at the top of the market, the new City of Dreams hotel tower Morpheus will also help defend City of Dream's leading premium-mass market share within the increasingly competitive Cotai landscape. The Zaha Hadid-designed concept building will become a landmark and global tourist attraction upon completion. It will also embody the Group's commitment to support Macau's ongoing transformation into a World Centre of Tourism and Leisure. Over the remainder of this year, we will remain focused on keeping construction on track and securing relevant approvals for its timely launch in 2018.

Outside Macau, we remain bullish on our diversified offer and unique capacity to leverage a portfolio of high-quality assets around the world.

We anticipate City of Dreams Manila in the Philippines will continue to post robust revenue and stable earnings growth, in line with the continuing improvement of Philippine infrastructure and the overall consumer economy. The ongoing phased opening of the Ninoy Aquino International Expressway leading from the airport to Manila Bay Entertainment City will also further support greater tourist visitation and gaming activity at our resort.

In Cyprus, where we have just begun our 30-year casino gaming license, the first 15 of which are exclusive, we are eager to begin the development of our first European integrated resort. Upon completion, it is expected that the property will have 500 luxury hotel rooms, more than 1,000 gaming machines, and more than 100 gaming tables. We also retain rights to build up to four satellite casino premises. The first phase, which involves the development of the casino gaming areas, a luxury hotel, a conference hall, a wellness centre and an arena, will take approximately 3 years to complete, commencing from the date on which the Cyprus Government approves the development plan. We currently expect the project to become operational in 2020.

The Japan market is one of the Group's major focus areas for international development. The Group plans to continue investing in making a successful bid as a future integrated resort operator in the market. We maintain that our introduction of world-class integrated entertainment resorts and thoughtful responsible gaming protocols will deliver win-win benefits for Japan, diversifying its tourism sector, encouraging business, creating jobs and boosting local economic and social development. For our investors, it would generate substantial long-term value, and we are fully committed to advancing our efforts in the months ahead to secure a gaming license in the country.

While we recognize that various favorable trends have been lifting up Macau gaming, we also believe that our diversified revenue streams across market segments will increasingly yield returns as the market stabilizes and demographics evolve. On the global stage, as we enter the early stages of launching a number of large-scale international projects, we will further remain focused on ensuring that, across all our markets and operations, we are building a sustainable advantage for the long term. We are confident that, leveraging the growing demand for premium, imaginative and integrated gaming entertainment experiences, and with our strong financials and management team, we are uniquely placed to lead the future of these trends.

## **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 and emerge as a global market-leading operator. In the first half of 2017, our efforts have continued to be widely acknowledged.

### ***Corporate Governance***

In 2017, the strong management team has garnered prestigious leadership awards from the business and investor community. Mr. Lawrence Ho, Group Chairman and Chief Executive Officer, was honoured as “Asia's Best CEO” by *Corporate Governance Asia Magazine* for the sixth time and the Group was awarded as the “Best Investor Relations Company” by the same publication. These accolades serve as a testament to the Group's continued dedication to ensuring accountability, fairness and transparency in our relationships with all stakeholders.

### ***Corporate Social Responsibility***

Melco International has continued to emerge as a contributing force to Macau's urban development and provide values to other parts of the world with our core business offerings. This is paired with the Group's commitment to the society where its business operates as a corporate citizen.

Our ardent support for sustainable development of the community and environment has continued to be acknowledged. Melco Resorts recently won the “Best Environmental Responsibility” award by *Corporate Governance Asia Magazine*, and was recognized as the champion of the “Green Booth Award” in the 2017 Macao International Environmental Co-operation Forum & Exhibition. In addition, Melco International has been selected as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index since 2013.

### ***Business Operations***

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

Altira Macau and Altira Spa have been honoured with Forbes Five-Star Awards for eight consecutive years from 2010 to 2017, while Crown Towers and Crown Spa at City of Dreams have also garnered the Forbes Five-Star Awards for the sixth and fifth consecutive year, respectively.

City of Dreams was awarded by the PATA Gold Awards in the “Marketing – Hospitality” category, in recognition of its outstanding contributions towards the successful promotion of the travel industry throughout the Asia Pacific region.

Since its opening in October 2015, Studio City has garnered over 40 awards, and was further recognized by the International Hotel Awards 2017-18 across an impressive five categories, including “International Five Star Standard”, “Best Large Hotel Macau”, “Best City Hotel Macau”, “Best Resort Hotel Macau” and “Best Convention Hotel Macau”.

Melco Resorts has been honoured by the Organization Safety Performance Silver Award in the 2016 DSAL Catering Industry Occupational Safety and Health (“OSH”) Scheme operated by the Labor Affairs Bureau of the Macau Special Administrative Region (“DSAL”), a testament to our commitment to excellence in OSH. In addition, Pearl Dragon at Studio City and Jade Dragon at City of Dreams respectively received the Gold and Bronze Awards in the Hotel Restaurants (Group A) category, while The Tasting Room at City of Dreams and Aurora at Altira Macau were granted, respectively, the Bronze and Excellence Awards, in the Hotel Restaurants (Group B) category.

All these accolades demonstrate recognition for and appreciation from the community of our fundamental commitment to excellence in all areas and in particular corporate governance and operational performance.

## FINANCIAL REVIEW

### RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE

<i>HK\$' million</i>	<b>2017</b> (Unaudited)	2016 (Unaudited)	YoY%
Revenue	<b>20,109.5</b>	5,548.9 *	262.4%
Adjusted EBITDA	<b>4,732.0</b>	1,187.6	298.5%
Profit attributable to equity shareholders	<b>164.6</b>	10,367.4	-98.4%
Basic earnings per share (HK\$)	<b>0.11</b>	6.73 **	-98.4%

### FINANCIAL POSITION AS AT

<i>HK\$' million</i>	<b>30 June</b> <b>2017</b> (Unaudited)	31 December 2016 (Audited)	YoY%
Total assets	<b>96,965.8</b>	103,650.9	-6.4%
Total liabilities	<b>51,991.7</b>	46,607.4	11.6%
Shareholders' equity	<b>18,804.9</b>	22,347.7	-15.9%
Net assets value per share attributable to equity shareholders (HK\$)	<b>12.3</b>	14.5	-15.2%
Gearing ratio (%)	<b>36.9%</b>	29.3%	N/A

\* The revenue amount included the revenue of Melco Resorts from the date of the deemed acquisition of Melco Resorts on 9 May 2016.

\*\* Earnings for the six-month period ended 30 June 2016 attributable to owners of the Company included the gain on deemed disposal of previously held interest in an associate amounting to approximately HK\$10,385.5 million.

## Revenue

Revenue of the Group for the six-month period ended 30 June 2017 increased over 260% following the consolidation of Melco Resorts' results from May 2016 onwards. Revenue generated from Melco Resorts' established Casino and Hospitality segment in both Macau and the Philippines became a key revenue stream of the Group.

<i>HK\$' million</i>	Six-month period ended 30 June		
	2017 (Unaudited)	2016 (Unaudited)	YoY%
Casino revenue	18,711.1	5,004.0	273.9%
Entertainment and resort facilities revenue:			
Entertainment, retail and others	748.8	215.2	248.0%
Catering service income	353.8	147.6	139.7%
Rooms	278.0	85.8	224.0%
Lottery business:			
Provision of services and solutions for distribution of lottery products	0.4	0.4	—
Trading of lottery terminals and parts	9.6	33.6	-71.4%
Electronic gaming machines participation	5.2	47.7	-89.1%
Manufacture and distribution of gaming chips and plaques	—	12.5	-100.0%
Property rental income	1.8	2.1	-14.3%
Others	0.8	—	N/A
	<b>20,109.5</b>	<b>5,548.9</b>	<b>262.4%</b>

## Adjusted EBITDA <sup>(2)</sup>

Adjusted EBITDA for the six-month period ended 30 June 2017 increased over 290% to HK\$4,732.0 million, compared to HK\$1,187.6 million for the same period in 2016. The increase was primarily driven by the consolidation of Melco Resorts since May 2016.

<sup>(2)</sup> 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 options expenses, share award expenses, payments to the Philippine Parties, land rent to Belle Corporation, corporate expenses, interest income, other income, other gains and losses, gain on disposal of a subsidiary, gain on deemed disposal of partial interest in an associate and gain on deemed disposal of previously held interest in an associate. 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 Equity Shareholders**

During the six-month period ended 30 June 2017, the profit attributable to equity shareholders decreased by 98% from HK\$10,367.4 million in 2016 to HK\$164.6 million in 2017. The decrease in profit in 2017 was mainly due to a recognition of gain on deemed disposal of previously held interest in an associate of HK\$10,385.5 million in 2016.

## **Financial and Operational Performance**

### **Gaming Business in Asia – Melco Resorts**

On 4 May 2016, Melco Resorts, which was formerly a 34.29%-owned associate of the Company, entered into a share repurchase agreement with Crown Asia Investments Pty. Ltd. (“Crown Sub”), a wholly-owned subsidiary of Crown Resorts Limited, pursuant to which Melco Resorts agreed to repurchase 155,000,000 ordinary shares (equivalent to 51,666,666 American depository shares) from Crown Sub (the “Share Repurchase”). The aggregate purchase price of the Share Repurchase is US\$800,838,500 (equivalent to approximately HK\$6,206,498,000), representing a per share price of US\$5.1667 (equivalent to approximately HK\$40.04). Melco Resorts has paid the purchase price using its cash on hand. The repurchased shares were cancelled upon the closing of the Share Repurchase on 9 May 2016. The equity interest in Melco Resorts held by the Company was thereby increased to 37.89% and the Company became the single largest shareholder of Melco Resorts and consolidates Melco Resorts’ results as a subsidiary into the Group’s financial statements from 9 May 2016 onwards.

On 14 December 2016, the Group entered into an agreement to acquire an additional interest of 13.42% of Melco Resorts for a cash consideration of approximately HK\$8,531,206,200. The transaction was completed on 16 February 2017. As a result, the Group’s shareholding in Melco Resorts has increased from 37.89% to 51.31%. As at 30 June 2017, the Group owns approximately 51.22% of Melco Resorts.

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\$2.6 billion for the six-month period ended 30 June 2017, versus US\$2.2 billion for the same period in 2016. The increase in net revenue was primarily attributable to improved group-wide rolling chip and mass market table games revenues.

Operating income for the six-month period ended 30 June 2017 was US\$285.9 million, compared with operating income of US\$138.2 million for the same period in 2016.

The Adjusted Property EBITDA for the six-month period ended 30 June 2017 was US\$682.8 million, as compared with Adjusted Property EBITDA of US\$494.1 million for the same period in 2016. The improvement in Adjusted Property EBITDA was mainly attributable to better performance in group-wide rolling chip and mass market table games segments.

Net income attributable to Melco Resorts for the six-month period ended 30 June 2017 was US\$149.9 million, compared with a net income attributable to Melco Resorts of US\$70.6 million for the same period in 2016.

### *City of Dreams*

For the six-month period ended 30 June 2017, net revenue at City of Dreams was US\$1,337.9 million versus US\$1,308.5 million for the same period in 2016. City of Dreams generated Adjusted Property EBITDA of US\$388.8 million for the six-month period ended 30 June 2017, representing an increase of 1% compared to US\$383.3 million for the same period in 2016.

### Gaming Performance

	<b>Six-month period ended 30 June</b>		
<i>US\$'million</i>	<b>2017</b>	<b>2016</b>	<b>YoY%</b>
<b>VIP Gaming</b>			
Rolling chip volume	<b>24,814.4</b>	19,705.7	25.9%
Win rate	<b>2.8%</b>	3.1%	N/A
<b>Mass Market</b>			
Table drop	<b>2,132.9</b>	2,101.3	1.5%
Hold percentage	<b>34.6%</b>	36.2%	N/A
<b>Gaming Machine</b>			
Handle	<b>1,963.7</b>	2,047.9	-4.1%
Win rate	<b>3.7%</b>	3.3%	N/A

### Non-Gaming Performance

Total non-gaming revenue at City of Dreams in the first half of 2017 was US\$152.3 million, compared with US\$124.8 million for the same period in 2016.

### ***Altira Macau***

For the six-month period ended 30 June 2017, net revenue at Altira Macau was US\$216.7 million compared to US\$207.1 million in the same period of 2016. Altira Macau generated Adjusted Property EBITDA of US\$8.8 million for the six-month period ended 30 June 2017 compared with a negative Adjusted Property EBITDA of US\$12.2 million in the same period of 2016.

### Gaming Performance

<i>US\$'million</i>	<b>Six-month period ended</b>		
	<b>30 June</b>		
	<b>2017</b>	<b>2016</b>	<b>YoY%</b>
<b>VIP Gaming</b>			
Rolling chip volume	<b>8,116.3</b>	8,801.4	-7.8%
Win rate	<b>3.2%</b>	2.7%	N/A
<b>Mass Market</b>			
Table drop	<b>191.6</b>	259.4	-26.1%
Hold percentage	<b>18.0%</b>	17.7%	N/A
<b>Gaming Machine</b>			
Handle	<b>15.7</b>	16.1	-2.5%
Win rate	<b>5.9%</b>	6.2%	N/A

### Non-Gaming Performance

Total non-gaming revenue at Altira Macau in the first half of 2017 was US\$12.7 million compared with US\$13.7 million for the same period in 2016.

### ***Mocha Clubs***

In the first half of 2017, net revenue from Mocha Clubs totaled US\$60.4 million in 2017 as compared to US\$59.8 million in 2016. Mocha Clubs generated US\$12.7 million of Adjusted Property EBITDA in the review period compared with Adjusted Property EBITDA of US\$11.3 million in the same period of 2016.

	<b>Six-month period ended</b>		
	<b>30 June</b>		
<i>US\$'million</i>	<b>2017</b>	<b>2016</b>	<b>YoY%</b>

#### **Gaming Machine**

Handle	<b>1,195.5</b>	1,266.5	-5.6%
Win rate	<b>4.9%</b>	4.6%	N/A

### ***Studio City***

For the six-month period ended 30 June 2017, net revenue at Studio City was US\$609.9 million compared to US\$362.5 million in 2016. Studio City generated Adjusted Property EBITDA of US\$148.5 million in the current review period compared with Adjusted Property EBITDA of US\$46.6 million in the same period of 2016.

#### Gaming Performance

	<b>Six-month period ended</b>		
	<b>30 June</b>		
<i>US\$'million</i>	<b>2017</b>	<b>2016</b>	<b>YoY%</b>

#### **VIP Gaming**

Rolling chip volume	<b>8,206.4</b>	—	N/A
Win rate	<b>2.9%</b>	—	N/A

#### **Mass Market**

Table drop	<b>1,317.7</b>	1,139.2	15.7%
Hold percentage	<b>26.6%</b>	22.8%	N/A

#### **Gaming Machine**

Handle	<b>1,000.3</b>	895.0	11.8%
Win rate	<b>3.7%</b>	3.6%	N/A

### Non-Gaming Performance

Total non-gaming revenue at Studio City for the six-month period ended 30 June 2017 was US\$99.4 million, compared with US\$109.2 million for the same period in 2016.

### ***City of Dreams Manila***

For the six-month period ended 30 June 2017, net revenue at City of Dreams Manila was US\$333.6 million compared to US\$215.6 million in 2016. City of Dreams Manila generated Adjusted Property EBITDA of US\$124.0 million in the first half of 2017 compared with US\$65.1 million in the comparable period of 2016.

### Gaming Performance

<i>US\$'million</i>	<b>Six-month period ended</b>		
	<b>30 June</b>		
	<b>2017</b>	<b>2016</b>	<b>YoY%</b>
<b>VIP Gaming</b>			
Rolling chip volume	<b>5,658.1</b>	3,198.9	76.9%
Win rate	<b>3.5%</b>	3.1%	N/A
<b>Mass Market</b>			
Table drop	<b>323.6</b>	254.7	27.1%
Hold percentage	<b>28.6%</b>	28.7%	N/A
<b>Gaming Machine</b>			
Handle	<b>1,488.9</b>	966.7	54.0%
Win rate	<b>6.1%</b>	6.0%	N/A

### Non-Gaming Performance

Total non-gaming revenue at City of Dreams Manila for the review period was US\$55.7 million, compared with US\$50.3 million in the same period of 2016.

### ***Gaming Machine Leasing Business in Southeast Asia – EGT***

EGT is primarily engaged in slot machine participation operations in the Philippines. In the period under review, EGT's revenue and net loss from continuing operations were US\$772,000 and US\$4.1 million respectively. The loss is primarily due to the expenses incurred in developing the social gaming platform. EGT recorded a cash balance of US\$29.7 million and zero debt as of 30 June 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.

As at 30 June 2017, total assets of the Group were HK\$96,965.8 million (31 December 2016: HK\$103,650.9 million) which were financed by shareholders' funds of HK\$18,804.9 million (31 December 2016: HK\$22,347.7 million), non-controlling interests of HK\$26,169.2 million (31 December 2016: HK\$34,695.7 million), current liabilities of HK\$13,057.0 million (31 December 2016: HK\$11,727.4 million), and non-current liabilities of HK\$38,934.7 million (31 December 2016: HK\$34,880.1 million).

As at 30 June 2017, total available banking facilities amounted to HK\$22,354.8 million (31 December 2016: HK\$14,546.5 million). Of this amount, the Group utilized unsecured and secured bank loan facilities of HK\$546.0 million (31 December 2016: HK\$546.0 million) and HK\$11,850.0 million (31 December 2016: HK\$3,883.4 million) respectively.

### **Group Cash Flows**

The Group continues to manage its financial position carefully and maintains conservative policies in cash and financial management. As at 30 June 2017, the Group's bank balances and cash (including bank deposits with original maturities over three months) amounted to HK\$12,323.5 million (31 December 2016: HK\$16,889.6 million). During the six-month period ended 30 June 2017, the Group recorded a net cash outflow of HK\$4,566.1 million.

### **Gearing Ratio**

The gearing ratio, expressed as a percentage of total borrowings divided by total assets, was at 36.9% as at 30 June 2017 (31 December 2016: 29.3%).

### **Pledge of Assets**

As at 30 June 2017, borrowings amounting to HK\$29,531.2 million (31 December 2016: HK\$21,703.4 million) are secured by the following assets of the Group:

- (i) certain property, plant and equipment;
- (ii) issued share capital of certain members of the relevant borrowing groups;
- (iii) land and all present and future buildings on and fixtures to such land, and land use rights (or equivalent);
- (iv) investment properties;

- (v) certain bank deposits; and
- (vi) chattels, receivables and other assets (including shareholder and inter-group loans).

## **CONTINGENT LIABILITIES**

The Group had no significant contingent liabilities as at 30 June 2017.

## **FINANCIAL RISK**

### **Foreign exchange risk**

The Group's principal operations are primarily conducted and recorded in Hong Kong dollars ("HK\$"), United States dollar ("US\$"), Macau Patacas ("MOP"), Renminbi ("RMB") and Philippine Peso ("Peso"). 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\$ and Peso. 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 and deposits denominated in foreign currencies, such as New Taiwan dollar, RMB and Peso, 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 enter 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 associated with the indebtedness bearing interest based on 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.

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

Save as disclosed in this announcement, there were no material acquisitions, disposals and significant investments by the Company during the six-month period ended 30 June 2017.

## **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, provided the projects are deemed to be appropriate.

## **HEADCOUNT/EMPLOYEES' INFORMATION**

The total number of the Group's employees was 20,106 as of 30 June 2017 (31 December 2016: 20,548). Among the 20,106 employees, 400 are located in Hong Kong and the rest of 19,706 are located respectively in the Philippines, US, Macau and the PRC. The related staff costs for the six-month period ended 30 June 2017, including directors' emoluments, share options expenses and share award expenses, amounted to HK\$3,415.3 million (six-month period ended 30 June 2016: HK\$1,128.3 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 a part of. All of its 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.

## **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-month period ended 30 June 2017, the Group recorded a profit attributable to shareholders of HK\$164.6 million. The Board has resolved to declare an interim dividend of HK2.2 cents per share (six-month period ended 30 June 2016: a special dividend of HK1.5 cents per share) for the six-month period ended 30 June 2017 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 19 September 2017. The dividend is expected to be paid on Friday, 29 September 2017.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Friday, 15 September 2017 to Tuesday, 19 September 2017, 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 Thursday, 14 September 2017.

## **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 and revised 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 Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"). The Company Code not only formalizes the Group'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 Group 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-month period ended 30 June 2017.

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](http://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 (the "Model Code"). We have received confirmation from all Directors that they have complied with the required standards as set out in the Model Code and the Code of Securities Dealings throughout the six-month period ended 30 June 2017.

## **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-month period ended 30 June 2017.

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

During the six-month period ended 30 June 2017, the Company repurchased a total of 16,325,000 shares of the Company at an aggregate consideration of HK\$281,854,700 (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:

<b>Month of share repurchase</b>	<b>Number of shares repurchased</b>	<b>Highest price paid per share HK\$</b>	<b>Lowest price paid per share HK\$</b>	<b>Aggregate consideration paid (before expenses) HK\$</b>
May 2017	16,325,000	17.50	15.06	281,854,700

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-month period ended 30 June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **CHANGE OF AUDITOR**

Messrs. Deloitte Touche Tohmatsu ("Deloitte") has resigned as auditor of the Company with effect from 25 July 2017. The Board, with the recommendation from the Audit Committee, has resolved to appoint Messrs. Ernst & Young ("EY") as the new auditor of the Company to fill the casual vacancy following the resignation of Deloitte and to hold office until the conclusion of the next annual general meeting of the Company.

## **INDEPENDENT REVIEW**

The interim results for the six-month period ended 30 June 2017 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 EY, 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 (Managing Director) and Mr. Chung Yuk Man, Clarence; two Non-executive Directors, namely, Mr. Tsui Che Yin, Frank and Mr. Ng Ching Wo; and three Independent Non-executive Directors, namely, Mr. Chow Kwong Fai, Edward, Mr. Sham Sui Leung, Daniel and Dr. Tyen Kan Hee, Anthony.

On behalf of the Board of  
**Melco International Development Limited**  
**Ho, Lawrence Yau Lung**  
*Chairman and Chief Executive Officer*

Hong Kong, 31 August 2017