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 MONTHS ENDED 30 JUNE 2011

1. Net profit attributable to owners of the Company was HK$173.8 million for the six months ended 30 June 2011, as compared with a net loss attributable to owners of the Company of HK$218.2 million for the six months ended 30 June 2010.

2. Basic earnings per share attributable to owners of the Company was HK$0.141 for the six months ended 30 June 2011 compared to basic loss of HK$0.178 per share for the six months ended 30 June 2010.

3. Net asset value per share attributable to owners of the Company increased by 3%, to HK$5.73 as of 30 June 2011, when compared with HK$5.55 as of 31 December 2010.

4. Gearing ratio remained constant at 19% as of 30 June 2011 and 31 December 2010. The Group maintained a healthy financial position during the review period.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

		Six months ended 30 June	
		2011	2010
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Continuing operations			
Revenue	3	**61,781**	62,124
Other income		**54,463**	10,410
Investment income		**4,372**	327
Purchase and changes in inventories of finished goods		**(13,454)**	(15,696)
Employee benefits expense		**(70,312)**	(47,592)
Depreciation of property, plant and equipment		**(3,064)**	(4,827)
Gain (loss) on deemed disposal of interest in an associate	4	**3,484**	(3,712)
Fair value changes on derivative financial instruments		**–**	(34)
Fair value change on investment in convertible loan note	12	**25,542**	(5,236)
Share of profits (losses) of associates	10	**198,870**	(101,997)
Other expenses		**(35,077)**	(50,379)
Finance costs		**(61,090)**	(50,721)
Profit (loss) before tax		**165,515**	(207,333)
Income tax credit	5	**9,088**	–
Profit (loss) for the period from continuing operations		**174,603**	(207,333)
Discontinued operation			
Loss for the period from discontinued operation	6	**–**	(10,646)
Profit (loss) for the period		**174,603**	(217,979)

	Note	Six months ended 30 June 2011 HK$'000 (unaudited)	2010 HK$'000 (unaudited)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**(64)**	(19)
Share of other comprehensive income of an associate		**27,061**	24,845
Fair value loss on available-for-sale investments		**(4,100)**	–
Other comprehensive income for the period		**22,897**	24,826
Total comprehensive income (loss) for the period		**197,500**	(193,153)
Profit (loss) for the period attributable to:			
Owners of the Company		**173,819**	(218,151)
Non-controlling interests		**784**	172
		174,603	(217,979)
Total comprehensive income (loss) for the period attributable to:			
Owners of the Company		**196,716**	(193,325)
Non-controlling interests		**784**	172
		197,500	(193,153)
Earnings (loss) per share	8		
From continuing and discontinued operations			
Basic		**HK$0.141**	(HK$0.178)
Diluted		**HK$0.139**	(HK$0.178)
From continuing operations			
Basic		**HK$0.141**	(HK$0.169)
Diluted		**HK$0.139**	(HK$0.169)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	**30 June 2011 *HK$'000* (unaudited)**	31 December 2010 *HK$'000*
Non-current assets			
Investment properties	9	**166,000**	166,000
Property, plant and equipment		**20,164**	22,850
Other intangible assets		**5,700**	5,700
Interests in associates	10	**6,626,182**	6,396,712
Amounts due from associates	11	**607,057**	627,195
Available-for-sale investments		**6,155**	10,255
Investment in convertible loan note	12	**297,695**	272,153
		7,728,953	7,500,865
Current assets			
Inventories		**2,747**	2,489
Trade receivables	13	**3,766**	5,629
Prepayment, deposits and other receivables		**31,344**	32,159
Held-for-trading investments		**685**	610
Amounts due from associates	11	**43,228**	23,082
Pledged bank deposits	9	**947**	947
Bank deposits with original maturity over three months		**632,216**	629,363
Bank balances and cash		**96,470**	145,536
		811,403	839,815
Current liabilities			
Trade payables	14	**2,565**	3,230
Other payables		**28,430**	36,885
Amounts due to associates	11	**11,266**	10,372
Dividend payable		**124**	18,545
Taxation payables		**1,028**	697
Financial guarantee liability	17	**33,256**	76,318
Bank borrowings – due within one year	15	**232,980**	14,980
		309,649	161,027
Net current assets		**501,754**	678,788
Total assets less current liabilities		**8,230,707**	8,179,653

	Notes	**30 June 2011** *HK$'000* **(unaudited)**	31 December 2010 *HK$'000*
Non-current liabilities			
Deferred tax liability		**45,434**	54,522
Bank borrowings – due after one year	15	**51,700**	254,190
Long term payable		**167,220**	170,537
Convertible loan note – due after one year	16	**899,642**	844,562
		1,163,996	1,323,811
		7,066,711	6,855,842
Capital and reserves			
Share capital		**615,589**	615,296
Reserves		**6,422,447**	6,212,655
Equity attributable to owners of the Company		**7,038,036**	6,827,951
Non-controlling interests		**28,675**	27,891
		7,066,711	6,855,842

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2011

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") and with Hong Kong Accounting Standard 34 ("HKAS 34"), *Interim Financial Reporting*.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, the following new or revised Standards and Interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

- *Improvements to HKFRSs* issued in 2010
- HKAS 24 (as revised in 2009) *Related Party Disclosures*
- Amendments to HKAS 32 *Classification of Rights Issues*
- Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
- HK(IFRIC)-Int 19 *Extinguishing Financial Liabilities with Equity Instruments*

The application of the new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in and disclosures set out in these condensed consolidated financial statements.

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

3. REVENUE AND SEGMENT INFORMATION

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

(1) Leisure and Entertainment Segment: It mainly comprises of provision of catering, entertainment and related services.

(2) Property and Other Investments Segment: It mainly comprises of property investments and other investments.

Information regarding the above segments is reported below.

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

Six months ended 30 June 2011 (unaudited):

Continuing operations

	Leisure and entertainment	Property and other investments	Total	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
External sales	**51,725**	**10,056**	**61,781**	**–**	**61,781**
Inter-segment sales	**282**	**714**	**996**	**(996)**	**–**
Total revenue	**52,007**	**10,770**	**62,777**	**(996)**	**61,781**
Segment result	**7,016**	**13,967**	**20,983**	**–**	**20,983**
Central administrative costs and other unallocated expenses					**(71,990)**
Unallocated income					**49,716**
Finance costs					**(61,090)**
Gain on deemed disposal of interest in an associate					**3,484**
Fair value change on investment in convertible loan note					**25,542**
Share of profits of associates					**198,870**
Profit before tax from continuing operations					**165,515**

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

Six months ended 30 June 2010 (unaudited):

Continuing operations

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

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

Segment result represents the profit earned or loss incurred by each segment without allocation of central administrative costs and other unallocated expenses, unallocated income and items as disclosed in the above table. This is the measure reported to Chief Executive Officer of the Company for the purposes of resource allocation and performance assessment.

4. GAIN (LOSS) ON DEEMED DISPOSAL OF INTEREST IN AN ASSOCIATE

During the period ended 30 June 2011, the Group's ownership interest in its associate, Melco Crown Entertainment Limited ("Melco Crown Entertainment"), decreased from 33.39% to 33.36%, as a result of the vesting of certain restricted shares and the exercise of share options of Melco Crown Entertainment. The Group recognised a gain of approximately HK$3,484,000 which represented the increase in net assets attributable to the Group during the period ended 30 June 2011.

During the period ended 30 June 2010, the Group's ownership interest in its associate, Melco Crown Entertainment, decreased from 33.45% to 33.43%, as a result of the vesting of certain restricted shares of Melco Crown Entertainment. The Group recognised a loss of approximately HK$3,712,000 which represented the decrease in net assets attributable to the Group during the period ended 30 June 2010.

5. INCOME TAX CREDIT

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations		
Deferred taxation – current period	**9,088**	–

During six months ended 30 June 2011, the deferred taxation credit mainly arose from the reversal of temporary differences arising from initial recognition of convertible loan note equity component.

No provision for Hong Kong Profits Tax or tax in other jurisdiction was made during the six months ended 30 June 2011 and 2010 as there was no estimated assessable profit for the periods.

6. DISCONTINUED OPERATION

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

The result of ELI, which carried out all of the Group's technology business, included in the condensed consolidated statement of comprehensive income is set out below:

	Six months ended 30 June 2010
	HK$'000
	(unaudited)
Revenue	78,282
Other income	1,496
Purchase and changes in inventories of finished goods	(74,419)
Employee benefits expense	(6,438)
Depreciation of property, plant and equipment	(153)
Other expenses	(8,728)
Finance costs	(686)
Loss for the period from discontinued operation	(10,646)
Loss for the period from discontinued operation includes the following:	
Allowance for doubtful debts	871
Allowance for inventories	3,723

Cash flows from ELI:

	Six months ended 30 June 2010 *HK$'000* (unaudited)
Net cash flows used in operating activities	(27,088)
Net cash flows from investing activities	1,209
Net cash flows used in financing activities	(686)
Net cash flows	(26,565)

7. DIVIDEND

On 26 November 2010, the Board declared a special cash dividend of HK1.5 cents per share to be distributed to the shareholders whose names appear on the register of members of the Company on 23 December 2010. The special dividend, totalling HK$18,421,000, was paid on 5 January 2011.

No dividends were paid, declared or proposed during the six months ended 30 June 2010.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

8. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings (loss)		
Earnings (loss) for the purpose of basic earnings (loss) per share (profit (loss) for the period attributable to owners of the Company)	**173,819**	(218,151)
Effect of dilutive potential ordinary shares:		
Adjustment in relation to share options and restricted shares issued by an associate of the Company	**(1,485)**	–
Earnings (loss) for the purpose of diluted earnings (loss) per share	**172,334**	(218,151)

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**1,228,936,442**	1,229,088,690
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**10,733,040**	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**1,239,669,482**	1,229,088,690

Note: The number of shares adopted in the calculation of the basic and diluted earnings (loss) per share has been arrived at after eliminating the shares in the Company held under the Company's share award scheme. During the period ended 30 June 2011, the computation of diluted earnings per share i) does not assume the conversion of the Company's outstanding convertible loan note since the assumed exercise would result in an increase in earnings per share; and ii) does not assume the exercise of the Company's certain options and unvested award shares because the adjusted exercise price of those options and unvested award shares are higher than the average market price for shares for the period. During the period ended 30 June 2010, the computation of diluted loss per share did not assume the conversion of the Company's outstanding convertible loan note and the effect of share options and unvested award shares since their assumed exercise would result in a decrease in loss per share.

From continuing operations

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings (loss) figures are calculated as follows:		
Earnings (loss) for the period attributable to owners of the Company	**173,819**	(218,151)
Less: Loss for the period from discontinued operation	**–**	(10,646)
Earnings (loss) for the purpose of basic earnings (loss) per share from continuing operations	**173,819**	(207,505)
Effect of dilutive potential ordinary shares:		
Adjustment in relation to share options and restricted shares issued by an associate of the Company	**(1,485)**	–
Earnings (loss) for the purpose of diluted earnings (loss) per share from continuing operations	**172,334**	(207,505)

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

For discontinued operation

During the six months ended 30 June 2010, basic and diluted loss per share from discontinued operation was HK0.87 cent per share which was based on the loss for the period from discontinued operation of HK$10,646,000 and the denominators detailed above for both basic and diluted loss per share.

9. PLEDGE OF ASSETS

As at 30 June 2011, the Group's bank deposits and investment properties which amounted to approximately HK$947,000 (31 December 2010: HK$947,000) and HK$166,000,000 (31 December 2010: HK$166,000,000), respectively, were pledged as security for banking facilities of the Group.

10. INTERESTS IN ASSOCIATES

As at 30 June 2011, the Group held approximately 33.36% (31 December 2010: 33.39%) interests in Melco Crown Entertainment, 38.57% (31 December 2010: 39.42%) interests in Entertainment Gaming Asia Inc., 11.67% (31 December 2010: 11.67%) interests in MelcoLot Limited ("MelcoLot"), 28.66% (31 December 2010: 28.71%) interests in Mountain China Resorts (Holding) Limited ("MCR"), and 58.7% (31 December 2010: 58.7%) interests in Power Way Group Limited. During the period ended 30 June 2011, the Group recognised share of profits of these associates of approximately HK$198,870,000 (six months ended 30 June 2010: share of losses of HK$101,997,000).

11. AMOUNTS DUE FROM (TO) ASSOCIATES

Included in amounts due from (to) associates are:

i) amount due from an associate of approximately HK$578,578,000 (31 December 2010: HK$578,578,000) which is unsecured, interest bearing at Hong Kong Interbank Offered Rates ("HIBOR") (31 December 2010: HIBOR) per annum and not repayable within twelve months from the end of the reporting period. This associate continues to expand its gaming business in Macau, and the Group has reviewed the financial position and the banking facilities available to this associate and considers no impairment on the amount due from this associate;

ii) amount due from an associate of approximately HK$71,591,000 (31 December 2010: HK$71,591,000) which is unsecured and interest bearing at 5% per annum. Approximately HK$43,112,000 (31 December 2010: HK$22,974,000) out of the HK$71,591,000 (31 December 2010: HK$71,591,000) is repayable within twelve months from the end of the reporting period and the remaining HK$28,479,000 (31 December 2010: HK$48,617,000) is repayable after twelve months from the end of the reporting period. The Group has reviewed the financial position and the banking facilities available to this associate and considers no impairment on the amount due from this associate;

iii) amount due from an associate of approximately HK$187,600,000 (31 December 2010: HK$187,794,000) in which the Group has recognised an accumulated impairment loss amounting to approximately HK$187,600,000 (31 December 2010: HK$187,794,000).

As at 30 June 2011, amount due from this associate of approximately HK$2,389,000 (31 December 2010: HK$2,583,000) is unsecured, non-interest bearing and repayable on demand and approximately HK$185,211,000 (31 December 2010: HK$185,211,000) is unsecured, interest bearing at 3% per annum and repayable on 31 March 2013, all of the above balances are fully impaired; and

iv) the remaining amounts due from (to) associates are unsecured, non-interest bearing and repayable on demand.

12. INVESTMENT IN CONVERTIBLE LOAN NOTE

During the period ended 30 June 2011, an increase in fair value of approximately HK$25,542,000 (six months ended 30 June 2010: a decrease in fair value of approximately HK$5,236,000) regarding the investment in MelcoLot's convertible loan note was recognised in the profit or loss. As at 30 June 2011, the fair value of the investment in MelcoLot's convertible loan note of approximately HK$297,695,000 (31 December 2010: HK$272,153,000) is determined using binomial model and discounted cash flow approach for different components.

13. TRADE RECEIVABLES

	As at 30 June 2011 *HK$'000* **(unaudited)**	As at 31 December 2010 *HK$'000*
Trade receivables *(note)*	**3,766**	5,629

The aged analysis of trade receivables presented based on the invoice date at the end of the reporting period is as follows:

	As at 30 June 2011 *HK$'000* **(unaudited)**	As at 31 December 2010 *HK$'000*
Within 30 days	**1,722**	3,614
31 – 90 days	**746**	715
Over 90 days	**1,298**	1,300
	3,766	5,629

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

14. TRADE PAYABLES

The aged analysis of the trade payables presented on payment due date at the end of the reporting period is as follows:

	As at 30 June 2011 HK$'000 (unaudited)	As at 31 December 2010 HK$'000
Within 30 days	**2,561**	3,226
31 – 90 days	**–**	–
Over 90 days	**4**	4
	2,565	3,230

15. BANK BORROWINGS – DUE WITHIN ONE YEAR AND DUE AFTER ONE YEAR

	As at 30 June 2011 HK$'000 (unaudited)	As at 31 December 2010 HK$'000
Secured	**61,680**	69,170
Unsecured	**223,000**	200,000
	284,680	269,170
Carrying amount repayable:		
Within one year	**232,980**	14,980
More than one year, but not exceeding two years	**4,980**	204,980
More than two years, but not exceeding five years	**14,940**	14,940
Exceeding five years	**31,780**	34,270
	284,680	269,170
Less: Amounts due within one year shown under current liabilities	**(232,980)**	(14,980)
	51,700	254,190

All the bank borrowings are denominated in HK$, the functional currency of relevant group entities, with interest rates of HIBOR plus 1.5% to 1.75% (31 December 2010: HIBOR plus 1.2% to 1.65%) per annum.

16. CONVERTIBLE LOAN NOTE

The Company issued a convertible loan note, as amended pursuant to a Deed of Amendment entered on 18 February 2010, with principal amount of HK$1,175,000,000, which was non-interest bearing. The amended convertible loan note is convertible into fully paid ordinary shares of HK$0.5 each of the Company at a conversion price of HK$3.93 per share (subject to anti-dilutive adjustment) and the maturity date was extended to 4 September 2013 with a redemption price at par.

The amended convertible loan note also grants an early redemption option to the Company and the holder of amended convertible loan note. The early redemption option of the Company allows the Company to redeem all or part of the outstanding amended convertible loan note at any time prior to the maturity date at par. The early redemption option of the holder of the amended convertible loan note only allows the holder to require the Company to redeem the amended convertible loan note at par if (a) the Company's major shareholder, Mr. Lawrence Ho, ceases to hold at least 30% of issued shares of the Company; (b) a general offer by way of takeover is made to all or substantially all the holders of shares in the Company and such offer becomes or is declared unconditional; or (c) a privatisation proposal by way of scheme of arrangement is made and approved by the necessary numbers of shareholders of the Company at the requisite meetings.

The amended convertible loan note contains two components, liability and equity elements. The early redemption options are considered as closely related to the debt component of the amended convertible loan note. The equity element is presented in equity heading "convertible loan note equity reserve". As at 30 June 2011, the effective interest rate of the liability component is 13.15% per annum.

17. CONTINGENT LIABILITIES

The Group recognised a financial guarantee liability of HK$33,256,000 (31 December 2010: HK$76,318,000) in respect of the exchangeable bonds issued by Melco Crown SPV Limited, a jointly controlled entity of the Group, which are jointly and severally guaranteed by the Company and Crown Limited, a shareholder of Melco Crown Entertainment. The decrease in financial guarantee liability during the six month ended 30 June 2011 is due to the improved financial position of Melco Crown SPV Limited.

MANAGEMENT DISCUSSION & ANALYSIS

Significant Events and Developments

Melco International Development Limited ("Melco" or the "Group") started a promising year of 2011 with sustainable growth momentum within the flourishing Macau gaming market. Driven by the continued strong influx of visitors from China, gross gaming revenue in the first half of 2011 recorded solid growth reaching MOP124.1 billion. During the period under review, the Group's major associate, Melco Crown Entertainment Limited ("Melco Crown Entertainment"), exhibited continuing progress in maximizing the profitability of its high quality portfolio of assets. In its efforts to provide world-class leisure amenities, its flagship integrated resort, City of Dreams' Club Cubic opened in April and has already become the most prestigious clubbing hotspot in Macau. During the period, Melco Crown Entertainment has taken another strategic step forward and acquired a 60% stake in the Studio City project, boosting the Group's foothold in the fast-growing Cotai area.

CORE BUSINESS

Gaming business in Macau

The Group operates its gaming businesses in Macau through its 33.4%-owned associate Melco Crown Entertainment which is listed on the NASDAQ Global Select Market in the US. Powered by the booming Macau and China economy, as well as ongoing efforts in improving operating efficiency, Melco Crown Entertainment delivered encouraging results based on a substantial growth in gaming volumes combined with the Company's continued focus on operating margins. For the second quarter of 2011, Melco Crown Entertainment recorded net revenue of US$960.0 million, representing a significant increase of approximately 67% for the comparable period in 2010.

With the objective of profitably expanding its mass market business, particularly the premium mass segment, as well as driven by the good market response to the non-gaming operations, City of Dreams recorded a significant increase in net revenue compared with last year. For the quarter ended June 30, 2011, net revenue at City of Dreams was US$607.9 million, compared to US$309.3 million in the second quarter of 2010. The rise was attributable to substantial growth in both rolling chip and mass market volumes, and improvements in mass market and rolling chip hold percentages, as well as increased hotel occupancy and contributions from The House of Dancing Water and Club Cubic. The House of Dancing Water show was hugely popular and tickets continued to sell out. Since its grand opening in September 2010, it has recorded an average of over 90% occupancy and has amazed over 700,000 spectators from all over the world. Club Cubic also made its debut as a prominent night time entertainment spot during the period. These new and unique entertainment offerings not only differentiated City of Dreams from other resorts in Cotai. It raised brand awareness and boosted the resort's overall visitation and revenue as a whole. Hotel occupancy rate enjoyed an upward trend, validating the success of hotel rooms optimization strategy. The hotels within the resorts have won numerous awards as well – Grand Hyatt Macau garnered "Best Luxury Hotel in Macau" at the 2011 TTG China Travel Awards; and Crown Towers was awarded "Best Luxury Hotel Spa" at The World Luxury Spa Awards.

On the other hand, Altira Macau has made good progress during the period with significant year-over-year improvements in net revenues and adjusted EBITDA driven by strong rolling chip volume growth and substantially improved operating margins.

Gaming Machine Revenue Participation Business in South East Asia

After successfully repositioning its business model and streamlining its cost structure, Entertainment Gaming Asia Inc. ("EGT"), a NYSE-Amex listed company (stock symbol: EGT), in which the Group has an effective equity interest of approximately 38.6%, delivered solid results in targeted gaming markets within Southeast Asia during the first six months of 2011.

EGT's core gaming participation business, which currently focuses on the markets of Cambodia and the Philippines, generated meaningful and recurring cash flow for the Group. In the review period, EGT has installed and jointly manages approximately 670 electronic gaming machines in casino resort NagaWorld in Phnom Penh, Cambodia, a group company of NagaCorp Ltd. (HKEx stock code: 3918), at designated areas of the casino floor. EGT has achieved net wins exceeding US$200 per machine per day during the first half of 2011.

Meanwhile, EGT is well-positioned to expand its gaming operations, including the development and operation of its own regional casinos, in select emerging gaming markets within the Indo-China region. To this end, EGT has two casino development projects underway in Cambodia anticipated to open during 2012. These growth strategies are expected to lead to higher long-term incremental returns on EGT's operations.

Lottery Management Business in Asia

During the period, MelcoLot Limited ("MelcoLot") in which the Group holds a 35.3% interest on a fully diluted basis (assuming full conversion of all outstanding convertibles) significantly increased its revenues generated from the provision of management services for distribution of lottery products by 53%. This increase helped offset a decline in revenues from sales of terminals as a result of a delay in the commencement of the new procurement cycle by the China Sports Lottery Administration Centre ("CSLA").

Melcolot negotiated to acquire controlling rights over the financial and operating policies of Beijing Telenet Information Technology in the review period, thus converting this associate into a subsidiary, as part of a reorganization to strengthen its operational structure. MelcoLot's lottery terminal distribution business, which is expected to experience an uptick after the commencement of CSLA's new procurement cycle, would be further enhanced with this move.

MelcoLot made steady progress in the implementation of its project to provide a multimedia content delivery system to Chongqing Welfare Lottery Authority. It is increasing its focus on new media technologies and sales platforms and is pursuing various lottery-related opportunities to take full advantage of the world-class lottery technologies of Intralot S.A. under existing licencing agreements for China and thus capitalize on the ongoing development of the China lottery market.

NON-CORE BUSINESS

Ski Resort Business in China

The Group owns 28.7% of Mountain China Resorts (Holding) Limited ("MCR"), which owns and operates the largest destination ski resort in China, namely Sun Mountain Yabuli Resort in Heilongjiang ("Yabuli Resort").

In early 2010, MCR formed a strategic partnership with Club Med Asie S.A. ("Club Med") by entering into definitive management agreements for Club Med to operate and manage two of the new hotels at Yabuli Resort. "Club Med Yabuli" is the first Club Med resort in China. Club Med Yabuli will enter its second year of operation starting in November 2011. After achieving operational break-even last winter, Club Med Yabuli is expected to bring in more guests from overseas this year and hope to grow the resort business in double digits.

MCR has confirmed sales of two resort homes in 2010 with limited sales resources. It is their plan to sell the rest of the resort home inventory during 2011 ski season with a well-organized sales team. The resort homes are expected to be completed and handed over to potential buyers in October 2012. This will provide a meaningful cash flow stream for MCR's development.

ACHIEVEMENTS AND AWARDS

Along with profitability and operational excellence, corporate governance and corporate social responsibility are the essential priorities at Melco. During the period under review, the Group continues to commit itself to maintaining high standards of corporate governance principles and practices with an emphasis on enhancing transparency and accountability. Melco once again received the "Best Corporate Governance" award; and was named one of Hong Kong's "Best Managed Companies" for the fifth year running, by the authoritative *FinanceAsia* magazine in 2011. It has also received the "Corporate Governance Asia Annual Recognition Award" for the sixth consecutive year by *Corporate Governance Asia magazine*.

Melco's continued demonstration of corporate governance and disclosure has been recognized as a leader in investor relations practices in Asia. Melco was awarded the "Asia Excellence Awards - Best Investor Relations by a Hong Kong Company" by *Corporate Governance Asia* magazine, and "Best Investor Relations" by *FinanceAsia* magazine.

Group Chairman and Chief Executive Officer, Mr. Lawrence Ho was selected as one of the "Best CEOs in Hong Kong" by *FinanceAsia* magazine and "Asia's Best CEO (Investor Relations)" by *Corporate Governance Asia* magazine.

To recognize Melco's devotion to the causes of youth development, education and a green environment, Melco was honored to serve as the Diamond Corporate Member of WWF Hong Kong in 2011 and has been awarded the Caring Company Logo by the Hong Kong Council for Social Service for six straight years in recognition of its contributions in community services. Significant progress has been made on the environmental front through launching of green initiatives programs in the living and working environment. In 2011, the Group was granted the "President's Award 2011" by The Community Chest; "Class of Excellence in Wastewise Label" in the Hong Kong Awards for Environmental Excellence; "Carbon Audit • Green Partner" logo of the "Green Hong Kong • Carbon Audit" Campaign organized by Environmental Protection Department of HKSAR Government; and "Best in Corporate Social Responsibility" from *FinanceAsia* magazine.

As a major player in the leisure and entertainment sector in Asia, Melco Crown Entertainment continues to take an active role in demonstrating its enhancement to business operations and management practices as well as sustainable development.

Melco Crown Entertainment has been awarded "Best Casino Operator" for the Asia Pacific region at the International Gaming Awards 2011 for the third consecutive year. Its excellence in utilizing innovative integrated technologies has been widely recognized, and was named a recipient of the 2011 CIO 100 Awards by the IDG Group's *CIO* magazine. It was also the world's first hospitality company to achieve ISO 20000 Certification.

Melco Crown Entertainment's flagship integrated entertainment resort, City of Dreams was awarded "Best Casino Interior Design" and "Best Casino VIP Room" at the International Gaming Awards 2011, and is the first Macau resort property to be honored with a Hazard Analysis Critical Control Point (HACCP) certificate for food hygiene and safety. The hotels within the resorts have won numerous awards as well – Grand Hyatt Macau garnered "Best Luxury Hotel in Macau" at the 2011 TTG China Travel Awards; and Crown Towers was awarded "Best Luxury Hotel Spa" at The World Luxury Spa Awards. In transforming itself to be a truly green resort, City of Dreams is the first in Macau to receive an Indoor Environmental Quality (IEQ) Certification issued by SGS, a worldwide international certification company. Meanwhile, all three hotel brands within City of Dreams, namely Crown Towers, Hard Rock Hotel and Grand Hyatt Macau, have earned the Bronze Award within the 2010 Macao Green Hotel Awards, leveraging the importance of environmental management.

All of these accolades have demonstrated that the Group's commitment to business performance, corporate governance and corporate social responsibility has grown into an operating philosophy and widely acknowledged by both the industry and the community. Looking ahead, Melco resolves to continue its dedication in implementing best practices of corporate governance as well as corporate social responsibility and thereby enhancing shareholder value and benefiting its stakeholders and society at large.

OUTLOOK

The powerful economy in China is expected to continue as the engine propelling significant growth of Macau in both visitation and spending. Melco already has plans in the pipeline to intensify its focus on this profitable mass market, while keeping up disciplined approach in delivering solid rolling chip volume growth. The newly-acquired Studio City project of its major associate, Melco Crown Entertainment, complements its existing mass market offerings, meaningfully increases the Group's footprint in Macau and further strengthens its comprehensive portfolio of assets covering all market segments. Leveraging the Group's experience as a pioneer in developing inspirational leisure and entertainment projects in Macau, the management is positive it can bring new, unique, and exciting experiences to the market and further increase its market share.

The successful completion of the acquisition of a 60% stake in the developer of Studio City project in late July 2011 marks a major milestone not only for Melco Crown Entertainment, but also for the Group, as it provides Melco with an attractive growth opportunity and a substantial development pipeline. The Studio City project is to be positioned as an Asian-focused intergrated resort featuring a wide array of appealing attractions, targeting Chinese and Asian visitors and designed as an experience-centered destination with a compelling entertainment and lifestyle-oriented theme. This large-scale integrated entertainment resort should substantially increase Melco's presence on Cotai, which is seen as the primary driver of visitation and revenue growth in Macau going forward.

In early August Melco Crown Entertainment has embarked on another strategic initiative by applying for a dual listing on the Hong Kong Stock Exchange to put Melco Crown Entertainment on a par with its peers. The proposed dual listing would provide Melco Crown Entertainment with wider domestic and international shareholder base and increased exposure to Asian capital markets. With access to this additional source of capital, Melco Crown Entertainment is well positioned to expand its gaming businesses in the years to come. Melco is set to benefit from not only the potential enhancement in the shareholder value of Melco Crown Entertainment but also an increase of its trading liquidity.

The Group's outlook for Macau remains positive, particularly with the upcoming infrastructure projects and its optimistic outlook for the Chinese economy. Looking ahead, Melco Crown Entertainment remains committed to working closely with the Macau Government in bringing the new Studio City integrated resort project to completion. The Group is continuing to enrich its portfolio of gaming and entertainment offerings in Macau, drive stronger operating leverage with its various cost containment initiatives, and search for new opportunities elsewhere in Asia.

FINANCIAL REVIEW

To facilitate the review, the segmental information from continuing operations shown in note 3 and the discontinued operation shown in note 6 to the condensed consolidated financial statements is reproduced below with some minor re-arrangements:

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Segmental Results from continuing operations:		
Leisure and Entertainment	**7,016**	291
Property and Other Investments	**13,967**	13,186
Group operating results from continuing operations	**20,983**	13,477
Segmental Result from discontinued operation:		
Technology	**–**	(9,960)
Group operating results from continuing and discontinued operations	**20,983**	3,517
Share of profits (losses) of associates	**198,870**	(101,997)
Gain (loss) on deemed disposal of interest in an associate	**3,484**	(3,712)
Fair value changes on derivative financial instruments	**–**	(34)
Fair value change on investment in convertible loan note	**25,542**	(5,236)
Unallocated income	**49,716**	6,655
Central administrative costs and other unallocated expenses	**(71,990)**	(65,765)
Finance costs	**(61,090)**	(51,407)
Profit (loss) before tax	**165,515**	(217,979)
Income tax credit	**9,088**	–
Profit (loss) for the period	**174,603**	(217,979)
Non-controlling interests	**(784)**	(172)
Profit (loss) for the period attributable to owners of the Company	**173,819**	(218,151)

For the six months ended 30 June 2011, the Group reported profit attributable to owners of the Company of HK$173.8 million compared to a loss of HK$218.2 million for the same period in 2010.

CONTINUING OPERATIONS

LEISURE AND ENTERTAINMENT

For the six months ended 30 June 2011, segmental profit from this segment amounted to approximately HK$7.0 million (six months ended 30 June 2010: HK$0.3 million) and was made up as follows:

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Jumbo Kingdom	**7,376**	335
Others	**(360)**	(44)
	7,016	291

Jumbo Kingdom

Jumbo Kingdom includes the Jumbo and Tai-Pak floating restaurants located in Aberdeen, Hong Kong. Due to the increase in patronage, the business made a positive contribution of approximately HK$7.4 million for the six months ended 30 June 2011 (six months ended 30 June 2010: HK$0.3 million).

Others

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

Other leisure and entertainment businesses

Other leisure and entertainment businesses, e.g. the Macau gaming business (conducted via 33.36%-owned Melco Crown Entertainment) and the gaming machine revenue participation business (conducted through 38.57%-owned EGT) are reported below under "SHARE OF PROFITS (LOSSES) OF ASSOCIATES".

PROPERTY AND OTHER INVESTMENTS

This division handles property and other treasury investments for the Group. For the six months ended 30 June 2011, it recorded a segmental profit of HK$14.0 million (six months ended 30 June 2010: HK$13.2 million).

DISCONTINUED OPERATION

TECHNOLOGY

The Group's technology business which conducted through its wholly owned subsidiary, EGT Entertainment Holding Limited (formerly known as Elixir Group Limited) ("Elixir Technology") was fully disposed of in July 2010.

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

During the six months ended 30 June 2010, the Group recorded a segmental loss from the discontinued operation amounting to approximately HK$10.0 million.

SHARE OF PROFITS (LOSSES) OF ASSOCIATES

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Share of profit (loss) of Melco Crown Entertainment (1)	**198,643**	(103,994)
Share of profit of iAsia Online Systems Limited ("iAsia Online") (2)	**–**	839
Share of profits of Power Way Group Limited ("Power Way") (3)	**227**	1,158
	198,870	(101,997)

In previous years, the Group wrote down its investments in EGT, MelcoLot and MCR to zero. During the review period, no reversal of impairment was incurred to the Group from the aforesaid associates, as MelcoLot and MCR continued to be loss making and EGT just started to be profit making in 2011. In paragraph (4) and (5) below, the performances of EGT and MelcoLot during the first six months of 2011 are briefly described.

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

For the period under review, the Group's attributable profit arising from its 33.36%[1] ownership of Melco Crown Entertainment amounted to approximately HK$198.6 million (six months ended 30 June 2010: attributable loss of HK$104 million).

According to the financial statements (prepared under US GAAP) of Melco Crown Entertainment, it reported net revenue of US$1,766.5 million for the six months ended 30 June 2011, versus US$1,141.2 million for the six months ended 30 June 2010. The year-over-year increase in net revenue was driven by the significant improvements in operating performance at City of Dreams and Altira Macau, as well as contributions from the House of Dancing Water and Club Cubic.

Adjusted EBITDA for the first six months of 2011 was US$337.6 million, as compared with an adjusted EBITDA of US$160.3 million in the first six months of 2010. The year-on-year improvements in net revenue and adjusted EBITDA were primarily attributable to the increase in operating revenues, improvements in mass market hold rates, as well as through a committed cost control focus at all business units.

Melco Crown Entertainment reported net income of US$73.8 million for the first half of 2011, compared to a net loss of US$42.6 million in the corresponding period of 2010.

City of Dreams

For the six months ended 30 June 2011, net revenue at City of Dreams was US$1,108.2 million versus US$645.6 million in the same period of 2010. Its adjusted EBITDA was US$237.3 million, compared to US$113.8 million for the six months ended 30 June 2010. Rolling chip volume totalled US$38.1 billion for the review period, up from US$22 billion in the same period of 2010. The rolling chip hold percentage for first quarter and second quarter was 2.5% and 2.8% respectively. The expected rolling chip hold percentage range is 2.7% – 3%. In the mass market table games segment, drop (a measure of mass market gaming volume) totalled US$1,397.4 million, up from US$963.1 million generated in the corresponding period of 2010. The mass market hold percentage was 22.5% in first quarter and 23.6% in second quarter, which are in line with the target mass market table games hold percentage range of 22% – 25%.

[1] The Group's interest in Melco Crown Entertainment had decreased to 33.36% as a result of the vesting certain restricted shares and the exercise of share options of Melco Crown Entertainment for the six months ended 30 June 2011.

Altira

For the six months ended 30 June 2011, net revenue at Altira Macau was US$577 million versus US$427.8 million in the same period of 2010. Altira Macau generated an adjusted EBITDA of US$114.2 million in the review period compared with US$58.5 million in the same period of 2010. Rolling chip volume totalled US$25.9 billion for the review period, up from US$19.4 billion in the same period of 2010. In the first quarter of 2011, the rolling chip hold percentage was 2.8%, while in the second quarter, it was 3.1%. The expected rolling chip hold percentage range was 2.7% – 3%. In the mass market table games segment, drop (a measure of mass market gaming volume) totalled US$287.3 million, up from US$147.6 million generated in the corresponding period of 2010. The mass market win rate was 17.7% in first quarter and 15.8% in second quarter, which are in line with the target mass market table games hold percentage range of 15% – 17%.

Mocha Clubs

Net operating revenue from Mocha Clubs totalled US$66.2 million in the six months ended 30 June 2011, up from US$53.6 million in the corresponding period of 2010. Mocha Clubs generated US$21.4 million of adjusted EBITDA in the review period, which compares with US$13.6 million in the same period last year. In the second quarter of 2011, the number of gaming machines in operation at the Mocha Clubs averaged approximately 1,600. The average net win per gaming machine per day was US$226 in the second quarter of 2011, as compared with US$184 in the same period of 2010.

(2) Share of profit of iAsia Online

The Group disposed of its remaining 20% equity interests in iAsia Online at an agreed consideration of HK$3 million on 5 October 2010.

(3) Share of profit of Power Way

For the six months ended 30 June 2011, the Group's attributable profit arising from Power Way amounted to approximately HK$0.2 million (six months ended 30 June 2010: HK$1.2 million).

(4) Performance of EGT during the review period

According to the financial statements of EGT (prepared under US GAAP), consolidated revenue for the six months ended 30 June 2011 increased to approximately US$13 million as compared to approximately US$9.4 million in the six months ended 30 June 2010. The increase in revenue was driven by strong improvement in the gaming participation operations and increased sales in the other products division. Revenue from EGT's gaming participation operations for the six months ended 30 June 2011 was US$8.7 million as compared to US$6.4 million for the six months ended 30 June 2010. For the six months ended 30 June

2011, EGT reported a net income of approximately US$1.0 million compared to a net loss of approximately US$3.2 million for the six months ended 30 June 2010.

As of 30 June 2011, EGT had an operating machine base of 1,502 machines at a total of seven venues, comprised of five venues in the Philippines with a total of 784 installed units and two venues in Cambodia with a total of 718 installed units.

With solid recurring cash flow and a growing cash position, EGT is well positioned to expand its business model and execute its casino development plans within emerging gaming markets in the Indo-China region.

(5) Performance of MelcoLot during the review period

According to the financial statements of MelcoLot, it recorded revenue of HK$33.1 million for the six months ended 30 June 2011 (six months ended 30 June 2010: HK$35.3 million). The decrease was mainly due to reduced revenue from the sales of lottery terminals. This was because the Group adopted a short-term, low pricing strategy in order to maintain market share as the new equipment procurement cycle of China Sports Lottery Administration Centre had not yet been finalized. On the other hand, the revenue from the provision of management services for distribution of lottery products improved, mainly due to a significant growth in sales of skill game lottery products during the review period.

Loss for the period amounted to HK$71.8 million (six months ended 30 June 2010: HK$66.2 million), after charging non-cash expenses which include:

(i) imputed interest on convertible bonds of HK$42.1 million (2010: HK$36.1 million) due to the liability component of the convertible bonds carried at amortized cost by using the effective interest method;

(ii) depreciation and amortization expenses of property, plant and equipment and intangible assets of HK$3.1 million (2010: HK$11.3 million); and

(iii) write-down of inventories of HK$5.5 million (2010: Nil) relating to aged lottery terminals as the new procurement cycle is expected to be launched later this year.

GAIN (LOSS) ON DEEMED DISPOSAL OF INTEREST IN AN ASSOCIATE

During the six months ended 30 June 2011, the Group's ownership interest in its associate, Melco Crown Entertainment, decreased from 33.39% to 33.36%, as a result of the vesting of certain restricted shares and the exercise of share options of Melco Crown Entertainment. During the review period, the Group recognized a gain of approximately HK$3.5 million (six months ended 30 June 2010: loss of HK$3.7 million) which represented the increase in net assets attributable to the Group.

FAIR VALUE CHANGE ON INVESTMENT IN CONVERTIBLE LOAN NOTE

During the six months ended 30 June 2011, the Group recognized an increase in fair value of convertible loan note issued by MelcoLot amounting to approximately HK$25.5 million (six months ended 30 June 2010: a decrease in fair value of HK$5.2 million) which was determined using binomial model and discounted cash flow approach for different components.

UNALLOCATED INCOME

For the six months ended 30 June 2011, the unallocated income of approximately HK$49.7 million (2010: HK$6.7 million) consisted of net amortised financial guarantee income of approximately HK$43 million (2010: provision of financial guarantee liability of HK$17.7 million was recorded under "Central Administrative Costs and Other Unallocated Expenses") in relation to the joint and several financial guarantee provided by the Company and Crown Limited for the exchangeable bonds issued by Melco Crown SPV Limited and a gain of extension of long term payable to Crown Limited of approximately HK$6.7 million (2010: HK$6.7 million).

CENTRAL ADMINISTRATIVE COSTS AND OTHER UNALLOCATED EXPENSES

Unallocated expenses increased by 9.4% from approximately HK$65.8 million for the six months ended 30 June 2010 to HK$72 million for the six months ended 30 June 2011. In the first half of 2010, a provision of financial guarantee liability of HK$17.7 million was provided by the Company under "Central Administrative Costs and Other Unallocated Expenses", while in the same period in 2011, the Company recorded a gain in relation to the same financial guarantee and classified it under "Unallocated Income". Excluding the effect from the financial guarantee, the increase in 2011 was primarily due to the increase in share option and share award expenses.

FINANCE COSTS

Finance costs increased by 19% from approximately HK$51.4 million for the six months ended 30 June 2010 to approximately HK$61.1 million for the six months ended 30 June 2011. The increase was mainly a result of an increase in imputed interest expense of HK$9.4 million on the amended convertible loan note.

INCOME TAX CREDIT

A deferred taxation of HK$9.1 million (six months ended 30 June 2010: Nil) was credited to the condensed consolidated statement of comprehensive income for the six months ended 30 June 2011. The credit mainly arose from the reversal of temporary differences arising from initial recognition of convertible loan note equity component.

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

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

As of 30 June 2011, total assets of the Group were HK$8,540.4 million (31 December 2010: HK$8,340.7 million) which were financed by shareholders' funds of HK$7,038 million (31 December 2010: HK$6,828 million), non-controlling interests of HK$28.7 million (31 December 2010: HK$27.9 million), current liabilities of HK$309.7 million (31 December 2010: HK$161 million), and non-current liabilities of HK$1,164 million (31 December 2010: HK$1,323.8 million). The Group's current ratio, expressed as current assets over current liabilities, reduced from 5.2 in December 2010 to 2.6 in June 2011.

During the six months ended 30 June 2011, the Group recorded a net cash outflow of HK$49.1 million (six months ended 30 June 2010: HK$88.6 million). As of 30 June 2011, cash and cash equivalents of the Group totalled HK$96.5 million (31 December 2010: HK$145.5 million). The gearing ratio, expressed as a percentage of total borrowings (including bank borrowings, convertible loan note and long term payable) over shareholders' funds, was at a satisfactory level of 19% as of 30 June 2011 (31 December 2010: 19%). The Group adopts a prudent treasury policy. 94% of bank balances and cash (including bank deposits with original maturity over three months) are put in fixed deposits. All borrowings, and bank balances and cash are mainly denominated in Hong Kong dollars and U.S. dollars to maintain stable exposure to foreign exchange risks. Also, as at 30 June 2011, the Group's bank deposit of approximately HK$0.9 million (31 December 2010: HK$0.9 million) was pledged as security for banking facilities of the Group.

As at 30 June 2011, the Group's total convertible loan note amounted to HK$899.6 million, which was non-interest bearing and due in September 2013. The long term payable to Crown Limited by the Group amounted to HK$167.2 million, which was unsecured, non-interest bearing and due in May 2013. As at 30 June 2011, the Group's total available bank loan facilities from various banks amounted to HK$284.7 million (31 December 2010: HK$292.2 million), of which HK$61.7 million (31 December 2010: HK$69.2 million) was secured by pledging HK$166 million of the Group's investment properties. As at 30 June 2011, the Group utilized HK$223 million and HK$61.7 million of unsecured and secured bank loan facilities respectively (31 December 2010: unsecured HK$200 million; secured HK$69.2 million). Details of bank borrowings are given in note 15 to the condensed consolidated financial statements.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

The Group had no material acquisitions, disposals and significant investments during and subsequent to the review period.

HEADCOUNT/EMPLOYEES' INFORMATION

The total number of the Group's employees was 10,383 as of 30 June 2011. Excluding the employees from associates such as Melco Crown Entertainment, MelcoLot, MCR and EGT, the total number of the Group's employees becomes 238 as of 30 June 2011 (as of 31 December 2010: 241 employees). Among the 238 employees, 232 are located in Hong Kong and the rest are based in Macau and China. The related staff costs for the six months ended 30 June 2011, including directors' emoluments, share option expenses and share award expenses, amounted to HK$70.3 million (six months ended 30 June 2010: HK$54 million).

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

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

CONTINGENT LIABILITIES

The Group recognised a financial guarantee liability of approximately HK$33.3 million as at 30 June 2011 in respect of the exchangeable bonds issued by Melco Crown SPV Limited, a jointly controlled entity of the Group, which are jointly and severally guaranteed by the Company and Crown Limited.

FOREIGN EXCHANGE EXPOSURE

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

CORPORATE GOVERNANCE

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

The Company has complied with all provisions in the Company Code and the HKSE Code throughout the six months ended 30 June 2011, except for the following deviations:

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

(ii) Code provision A.4.1 of the HKSE Code provides that non-executive directors should be appointed for specific term, subject to re-election. The Company has deviated from this provision in that all non-executive directors of the Company are not appointed for specific term. They are, however, subject to retirement and re-election every three years. The reason for the deviation is that the Company does not believe that arbitrary term limits on directors' service are appropriate given that directors ought to be committed to representing the long term interests of the Company's shareholders and the retirement and re-election requirements of non-executive directors have given the Company's shareholders the right to approve continuation of non-executive directors' offices.

The Company 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. Finance Committee;

f. Regulatory Compliance Committee; and

g. Corporate Social Responsibility Committee.

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

AUDIT COMMITTEE

The Company's audit committee is currently composed of a Non-executive Director and three Independent Non-executive Directors. The primary duties of the audit committee are to (i) review the Group's annual reports, financial statements, interim reports and to provide advice and comments thereon to the board of directors of the Company; and (ii) review and supervise the financial reporting process and internal control procedures of the Group. The audit committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2011.

INDEPENDENT REVIEW

The interim results for the six months ended 30 June 2011 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants by the Company's auditor, whose independent review report is included in the interim report.

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

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities, except that the trustee of The Melco Share Purchase Scheme Trust (the "Share Purchase Scheme") has, pursuant to the terms of the rules and trust deed of the Share Purchase Scheme, purchased on The Stock Exchange of Hong Kong Limited a total of 4,300,000 shares of the Company. The total amount paid to acquire these shares during the period was approximately HK$26,841,000.

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. Tsui Che Yin, Frank and Mr. Chung Yuk Man, Clarence; one Non-executive Director, namely Mr. Ng Ching Wo; and three Independent Non-executive Directors, namely Sir Roger Lobo, Mr. Sham Sui Leung, Daniel and Dr. Tyen Kan Hee, Anthony.

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

Hong Kong, 30 August 2011