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 2012

FINANCIAL HIGHLIGHTS

1. Net profit attributable to owners of the Company was HK$408.4 million for the six months ended 30 June 2012, as compared with HK$173.8 million for the six months ended 30 June 2011.

2. Basic earnings per share attributable to owners of the Company was HK$0.332 for the six months ended 30 June 2012 compared to HK$0.141 per share for the six months ended 30 June 2011.

3. Net asset value per share attributable to owners of the Company increased by 5.5%, to HK$6.15 as of 30 June 2012, when compared with HK$5.83 as of 31 December 2011.

4. Gearing ratio remained constant at 17% as of 30 June 2012 and 31 December 2011. The Group maintained a healthy financial position during the review period.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	3	**63,609**	61,781
Other income		**17,614**	54,463
Investment income		**497**	4,372
Purchase and changes in inventories of finished goods		**(14,795)**	(13,454)
Employee benefits expense		**(84,372)**	(70,312)
Depreciation of property, plant and equipment		**(2,717)**	(3,064)
(Loss) gain on deemed disposal of interest in an associate	4	**(11,741)**	3,484
Fair value change on investment in convertible loan note	10	**(39,993)**	25,542
Share of profits of associates	9	**569,664**	198,870
Other expenses		**(33,412)**	(35,077)
Finance costs		**(65,882)**	(61,090)
Profit before tax		**398,472**	165,515
Income tax credit	5	**10,340**	9,088
Profit for the period		**408,812**	174,603
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**30**	(64)
Fair value loss on available-for-sale investments		**–**	(4,100)
Share of other comprehensive income of an associate		**–**	27,061
Other comprehensive income for the period		**30**	22,897
Total comprehensive income for the period		**408,842**	197,500
Profit for the period attributable to:			
Owners of the Company		**408,413**	173,819
Non-controlling interests		**399**	784
		408,812	174,603

	NOTE	Six months ended 30 June **2012** ***HK$'000*** **(Unaudited)**	2011 *HK$'000* (Unaudited)
Total comprehensive income for the period attributable to:			
Owners of the Company		**408,443**	196,716
Non-controlling interests		**399**	784
		408,842	197,500
Earnings per share	7		
Basic		**HK$0.332**	HK$0.141
Diluted		**HK$0.303**	HK$0.139

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	NOTES	**As at 30 June 2012** ***HK$'000*** **(Unaudited)**	As at 31 December 2011 *HK$'000* (Audited)
Non-current assets			
Investment properties	8	**169,000**	169,000
Property, plant and equipment		**23,258**	18,199
Other intangible assets		**5,700**	5,700
Interests in jointly controlled entities		**–**	–
Interests in associates	9	**8,141,855**	7,583,784
Available-for-sale investments		**–**	5,035
Investment in convertible loan note	10	**–**	39,993
		8,339,813	7,821,711
Current assets			
Inventories		**2,735**	3,311
Trade receivables	11	**2,524**	3,502
Prepayments, deposits and other receivables		**20,582**	19,653
Held-for-trading investments		**240**	320
Available-for-sale investments		**4,504**	–
Amounts due from associates	12	**24,578**	48,428
Pledged bank deposits	8	**947**	947
Bank deposits with original maturity over three months		**495,977**	583,072
Bank balances and cash		**149,242**	97,086
		701,329	756,319
Current liabilities			
Trade payables	13	**2,852**	3,890
Other payables		**19,336**	25,216
Amounts due to associates	12	**6,104**	11,706
Dividend payable		**1,287**	123
Taxation payable		**1,052**	697
Financial guarantee liability	16	**39,848**	52,320
Bank borrowings – due within one year	14	**33,980**	227,980
		104,459	321,932
Net current assets		**596,870**	434,387
Total assets less current liabilities		**8,936,683**	8,256,098

	NOTES	As at 30 June 2012 HK$'000 (Unaudited)	As at 31 December 2011 HK$'000 (Audited)
Non-current liabilities			
Deferred tax liabilities		**29,338**	39,678
Bank borrowings – due after one year	14	**270,720**	49,210
Convertible loan note – due after one year	15	**1,018,302**	955,634
		1,318,360	1,044,522
		7,618,323	7,211,576
Capital and reserves			
Share capital		**616,975**	615,682
Reserves		**6,972,422**	6,566,964
Equity attributable to owners of the Company		**7,589,397**	7,182,646
Non-controlling interests		**28,926**	28,930
		7,618,323	7,211,576

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

- amendments to HKFRS 7 *Disclosures – Transfers of Financial Assets*
- amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*

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

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

3. REVENUE AND SEGMENT INFORMATION

The Group's operating and reportable segments under HKFRS 8 *Operating Segments* 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.

3. **REVENUE AND SEGMENT INFORMATION (continued)**

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

Six months ended 30 June 2012 (Unaudited):

	Leisure and entertainment *HK$'000*	Property and other investments *HK$'000*	Segment total *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
External sales	53,421	10,188	63,609	–	63,609
Inter-segment sales	399	788	1,187	(1,187)	–
Total revenue	53,820	10,976	64,796	(1,187)	63,609
Segment result	977	8,544	9,521	–	9,521
Central administrative costs and other unallocated corporate expenses					(75,568)
Unallocated corporate income					12,471
Finance costs					(65,882)
Loss on deemed disposal of interest in an associate					(11,741)
Fair value change on investment in convertible loan note					(39,993)
Share of profits of associates					569,664
Profit before tax					398,472

3. REVENUE AND SEGMENT INFORMATION (continued)

Six months ended 30 June 2011 (Unaudited):

	Leisure and entertainment *HK$'000*	Property and other investments *HK$'000*	Segment total *HK$'000*	Elimination *HK$'000*	Consolidated *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 corporate expenses					(71,990)
Unallocated corporate 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					165,515

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

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

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

(i) During the period ended 30 June 2012, the Group's ownership interest in its associate, Melco Crown Entertainment Limited ("Melco Crown Entertainment"), decreased from 33.7% to 33.6%, as a result of the vesting of certain restricted shares and the exercise of share options of Melco Crown Entertainment. The Group recognised a loss of approximately HK$11,741,000 which represented the decrease in net assets attributable to the Group during the period ended 30 June 2012.

(ii) During the period 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. 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.

5. INCOME TAX CREDIT

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Deferred taxation – current period	**10,340**	9,088

During the six months ended 30 June 2012, the deferred taxation credit mainly arose from the reversal of temporary differences arising from the recognition of convertible loan note equity component (note 15).

No provision for Hong Kong Profits Tax or tax in other jurisdiction was made during the six months ended 30 June 2012 and 2011 as there was no estimated assessable profit for the periods.

6. DIVIDEND

During the six months ended 30 June 2012, a dividend of HK$18,509,000 was declared to shareholders of the Company as the final dividend for 2011.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**408,413**	173,819
Effect of dilutive potential ordinary shares:		
Interest on convertible loan note	**62,668**	–
Adjustment in relation to share options and restricted shares issued by an associate of the Group	**(4,461)**	(1,485)
Earnings for the purpose of diluted earnings per share	**466,620**	172,334

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,230,619,377**	1,228,936,442
Effect of dilutive potential ordinary shares:		
Convertible loan note	**298,982,188**	–
Share options and awarded shares issued by the Company	**7,938,153**	10,733,040
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,537,539,718**	1,239,669,482

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

During the period ended 30 June 2012, the computation of diluted earnings per share does not assume the exercise of the Company's certain options and the vesting of certain unvested awarded shares under the Company's long-term incentive scheme because the adjusted exercise price of those options and unvested awarded shares are higher than the average market price of the shares for the period.

7. EARNINGS PER SHARE (continued)

During the period ended 30 June 2011, the computation of diluted earnings per share i) did not assume the conversion of the Company's outstanding convertible loan note since the assumed conversion would result in an increase in earnings per share; and ii) did not assume the exercise of the Company's certain options and the vesting of certain unvested awarded shares under the Company's long-term incentive scheme because the adjusted exercise price of those options and unvested awarded shares are higher than the average market price of the shares for the period.

8. PLEDGE OF ASSETS

As at 30 June 2012, the Group's bank deposits and investment properties which amounted to approximately HK$947,000 (31 December 2011: HK$947,000) and HK$169,000,000 (31 December 2011: HK$169,000,000), respectively, were pledged as security for obtaining utilities and banking facilities of the Group.

9. INTERESTS IN ASSOCIATES

As at 30 June 2012, the Group held approximately 33.6% (31 December 2011: 33.7%) interests in Melco Crown Entertainment, 18.9% (31 December 2011: 28.7%) interests in Mountain China Resorts (Holding) Limited ("MCR"), 58.7% (31 December 2011: 58.7%) interests in Power Way Group Limited, 11.7% (31 December 2011: 11.7%) interests in MelcoLot Limited ("MelcoLot") and 38.3% (31 December 2011: 38.5%) interests in Entertainment Gaming Asia Inc. During the period ended 30 June 2012, the Group recognised share of profits of these associates of approximately HK$569,664,000 (six months ended 30 June 2011: HK$198,870,000). The Group's interests in MCR, MelcoLot and Entertainment Gaming Asia Inc. were fully impaired in prior years.

In February 2012, MCR completed a private placement of 105,700,000 shares at the price of CAD0.18 per share and the interests in MCR held by the Group decreased from 28.7% to 18.9%. The Group is one of the major creditors of MCR. Under the terms of the MCR Loan (as defined below), the Group is entitled to appoint one director to the board of MCR. Accordingly, MCR continued to be an associate of the Group as at 30 June 2012.

In May 2012, the Group, MCR and its subsidiary (collectively referred to as the "MCR Group") and Wisecord Holdings Limited, a substantial shareholder of MCR, entered into a conditional agreement in relation to the settlement of a previously fully-impaired loan to MCR Group amounting to US$23,000,000 (equivalent to approximately HK$178,940,000) ("MCR Loan") whereby it was conditionally agreed that the loan amount may be settled in the form of cash, shares of MCR and villas within specified time and subject to the fulfilment of certain conditions. The pre-requisite conditions for the first settlement have not been met as of the date of approval for issuance of these financial statements, and the timing of such settlement is highly uncertain. Accordingly, there is no reversal of impairment loss in respect of such loan as at 30 June 2012.

10. INVESTMENT IN CONVERTIBLE LOAN NOTE

During the period ended 30 June 2012, a fair value loss of approximately HK$39,993,000 (six months ended 30 June 2011: a fair value gain of HK$25,542,000) regarding MelcoLot's convertible loan note was recognised in profit or loss.

10. INVESTMENT IN CONVERTIBLE LOAN NOTE (continued)

As at 30 June 2012, the fair value of MelcoLot's convertible loan note is minimal (31 December 2011: HK$39,993,000). The convertible loan note is redeemable within twelve months from the end of the reporting period. The fair value of MelcoLot's convertible loan note has decreased significantly due to the significant decline in the quoted share price of MelcoLot and the shrinking operations and aggravating loss of MelcoLot and its worsening total liabilities position as of 30 June 2012. As such, the above convertible loan note is not expected to be settled in full on its maturity date, nor is it expected to be settled within one year. The fair value of MelcoLot's convertible loan note as at 30 June 2012 is assessed by the Group after taking into account the amount that can be eventually recovered from the underlying net assets of MelcoLot.

11. TRADE RECEIVABLES

	As at 30 June 2012 *HK$'000* **(Unaudited)**	As at 31 December 2011 *HK$'000* (Audited)
Trade receivables *(note)*	**2,524**	3,502

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 2012 *HK$'000* **(Unaudited)**	As at 31 December 2011 *HK$'000* (Audited)
Within 30 days	**1,652**	2,159
31 – 90 days	**490**	965
Over 90 days	**382**	378
	2,524	3,502

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.

12. AMOUNTS DUE FROM (TO) ASSOCIATES

Included in amounts due from associates are:

(i) amount due from an associate of approximately HK$24,461,000 (31 December 2011: HK$48,320,000) is unsecured and interest bearing at 5% per annum. It is repayable within twelve months from the end of the reporting period. The Group has reviewed the financial position and the bank facilities available to this associate and considered no impairment on the amount due from this associate as this associate had repaid the balance in accordance with the repayment schedule;

(ii) amount due from an associate of approximately HK$2,382,000 (31 December 2011: HK$2,380,000) is unsecured, non-interest bearing and repayable on demand and approximately HK$185,211,000 (31 December 2011: HK$185,211,000) is unsecured, interest bearing at 3% per annum and repayable on 31 March 2013. All of the above balances were fully impaired in prior years; and

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

Amounts due to associates are unsecured, non-interest bearing and repayable on demand.

13. TRADE PAYABLES

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

	As at 30 June 2012 *HK$'000* **(Unaudited)**	As at 31 December 2011 *HK$'000* (Audited)
Within 30 days	**2,397**	3,760
31-90 days	**373**	37
Over 90 days	**82**	93
	2,852	3,890

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

	As at 30 June 2012	As at 31 December 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Secured	**81,700**	54,190
Unsecured	**223,000**	223,000
	304,700	277,190
Carrying amount repayable:		
Within one year		
– With repayable on demand clause	**23,000**	23,000
– Without repayable on demand clause	**10,980**	204,980
More than one year, but not exceeding two years	**10,980**	4,980
More than two years, but not exceeding five years	**232,940**	14,940
Exceeding five years	**26,800**	29,290
	304,700	277,190
Less: Amounts due within one year shown under current liabilities	**(33,980)**	(227,980)
	270,720	49,210

All the bank borrowings are denominated in HK$, the functional currency of relevant group entities, with interest rates of Hong Kong Interbank Offered Rates ("HIBOR") plus 1.5% to 2.5% (31 December 2011: HIBOR plus 1.5% to 1.95%) per annum.

15. CONVERTIBLE LOAN NOTE

The convertible loan note contains two components, liability and equity elements. The early redemption options are considered as closely related to the liability component of the convertible loan note. The equity element is presented in equity heading "convertible loan note equity reserve". As at 30 June 2012, the effective interest rate of the liability component is 13.15% (31 December 2011: 13.15%) per annum.

The movements of liability component and equity component of convertible loan note for the period are set out below:

	HK$'000
Liability component	
As at 31 December 2011	955,634
Effective interest charged to profit or loss	62,668
As at 30 June 2012	1,018,302
Equity component	
As at 31 December 2011 and 30 June 2012	323,818

16. CONTINGENT LIABILITIES

The Group recognised a financial guarantee liability of approximately HK$39,848,000 (31 December 2011: HK$52,320,000) in respect of the exchangeable bonds issued by Melco Crown SPV Limited, the jointly controlled entity of the Group, which are jointly and severally guaranteed by the Company and Crown Asia Investments Pty. Ltd., a shareholder of Melco Crown Entertainment. The decrease in financial guarantee liability during the six month ended 30 June 2012 was due to the improved financial position of Melco Crown SPV Limited.

17. EVENTS AFTER THE REPORTING PERIOD

On 5 July 2012, Melco Crown Entertainment through its wholly-owned subsidiary, MPEL Projects Limited ("MPEL Projects"), entered into a memorandum of agreement (the "MOA") with certain Philippine parties (collectively, the "Philippine Parties") (the Philippine Parties and upon signing of the Consortium Agreement (as defined below), MPEL Projects or its designated nominee are collectively referred to as the "Consortium"), to negotiate in good faith and sign upon the satisfaction of various conditions precedent within sixty (60) days or such other date as may be mutually agreed, a consortium agreement, which would include the agreed form of certain definitive agreements for the leasing, development, operation and management of certain parcels of land located in Manila, Philippines, as a casino, hotel, retail and entertainment resort (the "Consortium Agreement"). The execution of the Consortium Agreement is conditional upon registration of the project site as a tourism economic zone by the Philippine Economic Zone Authority. The Philippine Amusement and Gaming Corporation ("PAGCOR") has issued a provisional license to the Consortium and may issue a regular casino gaming license upon satisfaction of certain conditions referred to in the provisional license. MPEL Projects or its designated nominee shall also be included as a member-licensee of the provisional license. On signing of the Consortium Agreement, the MOA shall terminate and be superseded by the Consortium Agreement. MPEL Projects or an affiliated party will operate the gaming and non-gaming operations as lessee.

Under the terms of the provisional license, PAGCOR requires the Consortium to make a minimum investment of US$650 million at the start of commercial operations and a total of US$1.0 billion for the entire project. MPEL Projects or its designated nominee will be required to contribute these investment amounts by a combination of cash and debt financing.

MANAGEMENT DISCUSSION & ANALYSIS

Significant Events and Developments

Melco International Development Limited ("Melco" or the "Group") continues its steady progress towards its strategic objectives with solid growth in the year of 2012 in Macau and Asia, despite facing a more challenging environment underpinned by the overall lackluster economy and the slowdown in the growth of the overall Macau gaming market. The Group's Macau gaming arm, Melco Crown Entertainment Limited ("Melco Crown Entertainment"), delivered strong year-on-year improvements in operating fundamentals in its mass market segments, providing a more stable and profitable gaming mix, particularly at City of Dreams. The Group has also taken a noteworthy step forward as Studio City has successfully received the formal revised land grant approval and permit from the Macau Government to restart construction of the project in July 2012. This aims to further expand and diversify the leisure and tourism offerings available to visitors to Macau and strengthen the Group's foothold in the region.

Outside of Macau, Entertainment Gaming Asia Inc. ("EGT") has also delivered a notable improvement in financial results within the Group's gaming business. EGT opened its first casino project in May 2012 located at strategically important Cambodia-Thailand border area. Continuing to actively evaluate opportunities throughout Asia, Melco Crown Entertainment has also entered into a memorandum of agreement for the development and operation of an integrated casino, hotel, retail and entertainment resort in the Philippines in July 2012.

CORE BUSINESS

Gaming Business in Macau

The Group operates gaming businesses in Macau through its approximately 33.6% owned associate, Melco Crown Entertainment, which is listed on both the NASDAQ Global Select Market in the US and on the Main Board of The Stock Exchange of Hong Kong Limited. Advancing towards the goal of optimizing the Group's current portfolio of assets and efficiently allocating resources, Melco Crown Entertainment recorded encouraging results for the first six months in 2012, with a net revenue of US$1,965.4 million and an adjusted EBITDA of US$446.4 million, increases of 11.3% and 32.2% respectively compared with the same period of 2011. The year-over-year increases were attributed to substantially improved revenues from the mass table games segment.

The Group's flagship property, City of Dreams, recorded a satisfactory growth of net revenue to US$1,401.0 million in the first half of 2012 compared to US$1,108.2 million for the same period in 2011, while adjusted EBITDA increased by 61.1% from US$237.3 million to US$382.3 million. The substantial year-over-year improvement in adjusted EBITDA was driven by strong growth in mass market volumes as well as a substantial improvement in the mass market table games hold percentage, gaming machine volumes and rolling chip win rate, together with improvements in non-gaming operations, including growing contributions from hotel sales and *The House of Dancing Water*. This is testimony to the success of the Group's focus on the mass market segment, which provides a more stable and profitable gaming mix. Aiming at maximizing table yields, the Group has embarked on table optimization strategies in Altira Macau and City of Dreams which will further solidify the Group's dominance in this key market segment and generate improved future table yields across the rolling chip and mass market table games segments, giving the Group greater flexibility to take advantage of the changing gaming landscape in Macau, ultimately driving long term sustainable improvements in the future. The Group is also constantly engaged in upgrading and improving its gaming and non-gaming facilities alike, to cater to the expectations of an increasingly sophisticated and loyal customer base.

City of Dream's unique entertainment offerings and quality services have further differentiated the Group from its peers. Following the success of its unparalleled show, *The House of Dancing Water*, which continues to enjoy strong attendance during the period and received over 1.3 million audiences in less than 2 years since its launch, this summer City of Dreams has brought Macau's first ever cabaret-style show, *Taboo*, which is an electrifying limited-run production combining tantalizingly sensual choreography and thrilling acrobatic artistry as well as an exciting interactive theatrical component. *Taboo* is another example of the Group's commitment in driving its current portfolio of assets. This new show fully utilises Club Cubic space and provides another exciting entertainment offering to further differentiate City of Dreams.

In recognition of Melco Crown Entertainment's unique and diverse entertainment experiences as well as outstanding service, City of Dreams garnered Best Customer Experience of the Year Award at the International Gaming Awards. *The House of Dancing Water* also received the China Marketing Excellence Award and the China Branding Excellence Award from Economic Observer and Hong Kong Management Association as well as the THEA Award for Outstanding Achievement and the 2012 United States International Theater Technology Award. During the period under review, Altira Macau celebrated its fifth year of delivering to Macau a premium hotel and gaming experience and it has also been awarded Forbes Five Star ratings for lodging and spa for the past three years, in addition to other numerous hotel and industry accolades.

Gaming Machine Revenue Participation Business in Southeast Asia

Entertainment Gaming Asia Inc., a company listed on NYSE-MKT (Stock symbol: EGT), in which the Group has an effective equity interest of approximately 38.3%, posted continued improvement in its financial results derived from the gaming sector in Southeast Asia. During the period under review, it achieved solid improvement in both revenue and net income as it benefited from a significant increase in revenue from its gaming machine participation and gaming chips and plaques businesses.

EGT has an established presence within gaming markets in Cambodia and the Philippines through its gaming machine revenue participation businesses. During the period under review, EGT has a total of 670 electronic gaming machines which have been placed under the joint management of EGT and NagaWorld Limited, a wholly-owned subsidiary of NagaCorp Ltd. (Stock code: 3918), in designated areas of the casino floor of NagaWorld Resort and Casino located in Phnom Penh, Cambodia. These gaming machines have achieved an average daily net win of approximately US$260 per machine in the first half of 2012.

With a steady recurring cash flow from its gaming machine revenue business and an established presence in its target markets, EGT is expanding its gaming operations to include the development and operation of its own regional casinos under its "Dreamworld" brand in Cambodia. EGT recently opened its first casino project in May 2012 and is currently developing another project expected to open in the first quarter of 2013. Strategically located at important Cambodia-Thailand border crossings, these projects are expected to provide higher long-term growth and incremental returns.

Lottery Management Business in Asia

MelcoLot Limited ("MelcoLot"), in which the Group holds a 35.3% interest on a fully diluted basis (assuming full conversion of all outstanding convertibles), is principally engaged in the provision of lottery-related technologies, systems and solutions in the PRC. It is a recognized manufacturer and distributor of high quality, versatile lottery terminals for China Sports Lottery, and the PRC license holder for Intralot S.A.'s world leading lottery technologies. MelcoLot, using Intralot S.A.'s solutions, is currently working for China Welfare Lottery on the upgrade project of a high-frequency lottery game in Chongqing of the PRC.

During the review period, MelcoLot's revenue declined by 40%. The decline was attributed to an operational restructuring and a short term low pricing strategy on the distribution business of its lottery terminals in order to cope with the delay in the commencement of China Sports Lottery's next procurement cycle.

MelcoLot has entered into arrangements in respect of disposal of specified assets to certain shareholders of MelcoLot, repurchases of certain convertible bonds issued by MelcoLot and an open offer to repay a loan from a related company. Upon completion of the reorganization, MelcoLot will further enhance its operating structure and strengthen its capital base and financial position.

The recent stringent regulations on lottery management in the PRC present an opportunity to MelcoLot as the environment is now more supportive of participants determined to comply with Government policies and framework of operations. Furthermore, as the overall China lottery market continues to grow with paperless distribution channels envisaged to be a key growth engine, MelcoLot will be better positioned to exploit opportunities in that dynamic market, with a particular focus on paperless channels, by leveraging its access to advanced lottery industry knowhow and global best practices.

NON-CORE BUSINESSES

Ski Resort Business in China

The Group owns 18.9% 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").

On 22 February 2012, MCR announced that it has closed the non-brokered private placement of 105,700,000 common shares initiated in September 2011, priced at CAD0.18 per share for gross proceeds of CAD19 million (the "Offering"). The proceeds from the Offering are to be used for general working capital and for the repayment of certain debentures.

In May 2012, the Group, MCR and its subsidiary (collectively referred to as the "MCR Group") and Wisecord Holdings Limited, a substantial shareholder of MCR, entered into a conditional agreement in relation to the settlement of loan advanced to MCR Group amounting to US$23 million, which may be settled in the form of cash, shares of MCR and villas within specific time and subject to the fulfilment of certain conditions pursuant to the conditional agreement.

The Club Med Yabuli business, which was established by a strategic partnership with Club Med Asie S.A. ("Club Med") to operate and manage two of the new hotels at Yabuli Resort, continued to grow in its third year of operation. The total number of resort guests, including skiing only guests, increased by approximately 30% over the same period last year while revenue increased by approximately 28%.

ACHIEVEMENTS AND AWARDS

While continuing to develop and expand the core businesses, Melco continues its commitment to maintaining high standards of corporate governance and practices with an emphasis on enhancing transparency and accountability. During the period under review, these efforts of the Group have generated widespread acclaim, recognition and support across all quarters of society.

Corporate Governance

For the seventh consecutive year, Melco has once again garnered the "Corporate Governance Asia Annual Recognition Award" presented by *Corporate Governance Asia* magazine in 2012. The Group has captured the "Best Investor Relations by a Hong Kong Company" for the second year in the Asian Excellence Awards organized by the magazine. Group Chairman and Chief Executive Officer, Mr. Lawrence Ho, was selected as one of the "Best CEOs in Hong Kong" by *FinanceAsia* magazine for the fourth year running. Mr. Ho has also won the "Asian Corporate Director Recognition Awards" organized by *Corporate Governance Asia* magazine in 2012. All of these accolades are clear evidence that the Group's efforts in corporate governance are widely appreciated.

Corporate Social Responsibility

The Group regards corporate social responsibility ("CSR") as an integral part of its mission, deeming it worthy of a long-term commitment. Melco devotes its utmost efforts in contributing to society to caring for the environment and the community. The Group has been granted the "President's Award 2011" by The Community Chest for the sixth consecutive year. In 2012, Melco has once again won the "Platinum Award for Corporate & Employee Contribution Programme Donors" organized by The Community Chest in recognition of its continuous support and commitment to community service. Furthermore, Melco was honored to serve as the Diamond Corporate Member of WWF Hong Kong for the second consecutive year and was awarded the Caring Company Logo by the Hong Kong Council of Social Service for the seventh year running.

Significant progress has been made on the environmental front through launching of the green initiatives programs in the living and working environment. Melco was again granted the "Class of Excellence in Wastewise Label" in the Hong Kong Awards for Environmental Excellence for the third consecutive year. Besides, Melco Crown Entertainment has been recognized for its outstanding environmentally responsible practices over the years by many responsible organizations. One such recognition is the Macao Green Hotel Award organized by the Environmental Protection Bureau (DSPA) and the Macau Government Tourist Office. This Award commends hotels which have adopted environmentally friendly measures. This year, all three hotels under City of Dreams have garnered the award for the second consecutive year, with Crown Towers and Hard Rock Hotel achieving a Gold Award, while Grand Hyatt Macau achieving a Silver Award. It has also become the first and the only Macau casino-hotel operator to achieve the ISO 14001 Environmental Management Certification for its Environmental Management System.

Furthermore, the Group was honored with the "Corporate Social Responsibility Awards" organized by Capital magazine and Melco Crown Entertainment was selected as among the "Best Corporate Social Responsibility by *FinanceAsia* magazine. All of these achievements show how the Group's corporate social responsibility activities are well recognized by the public.

Business Operations

Melco has as its strategic objective to develop into an integrated entertainment resort and a premier leisure and entertainment destination in Macau. *The House of Dancing Water*, focused on entertainment and promoting cultural appreciation has garnered numerous awards during 2012. It has won the "China Marketing Excellence Award" and "China Branding Excellence Award" granted by the Economic Observer and Hong Kong Management Association. This unique show has also garnered international accolades including the "2012 United States International Theater Technology Award" organized by the United States Institute for Theatre Technology (USITT), and the "THEA Award for Outstanding Achievement" by the Themed Entertainment Association (TEA). In hospitality and services, Altira Macau has captured the "Five-Star Award for Lodging" and the "Five-Star Award for Spa" as selected by Forbes Travel Guide for the third consecutive year.

All of these accolades have demonstrated an appreciation by the business community and society of the Group's high standard of corporate governance and corporate social responsibility as well as its business operations. Looking ahead, Melco resolves to continue to contribute to the communities while maintaining effective corporate governance as it explores new opportunities for growth and development that create value for all stakeholders.

OUTLOOK

Despite the uncertain external macroeconomic climate underlying market volatility, Melco remains positive about the long-term prospects of Macau and its gaming industry. The Group expects to see continued healthy growth in Macau's gaming revenue and tourism market, supported by the huge population in mainland China and rapid expansion of the country's increasingly affluent middle class which together presents a tremendous source of demand for leisure and entertainment offerings in Macau. The Group believes that the industry is currently just serving a market segment analogous to the tip of an iceberg and that therefore Melco can attract more visitors from mainland China by introducing a wider range of gaming and non-gaming offerings to cater to the untapped market sectors. The Macau Government has always been supportive of the sustainable development of gaming and tourism industry. Currently planned infrastructure projects such as the Lotus Bridge are expected to draw more visitations to Cotai, Macau, benefiting both City of Dreams and the upcoming Studio City in particular which is perfectly situated adjacent to the Lotus Bridge immigration checkpoint connecting Hengqin Island and at a key stop on the planned light rail system.

Studio City in the Group's pipeline is a unique mass market proposition currently absent in Macau which targets a large demographic of the mass market, aiming to attract new crowds both from mainland China and elsewhere in Asia. With City of Dreams and Altira Macau currently focused on catering to the premium mass market and VIP market respectively, Studio City is expected to complement and create synergies with the existing properties by catering to the largest swath of the mass market. It will add a new dimension to the Group's existing portfolio, enabling the Group to welcome a broader spectrum of visitors and achieve a greater share of the market. Studio City, a cinema-themed large-scale integrated entertainment, retail and gaming resort which will include significant gaming capacity, five-star hotel offerings and various entertainment, retail and food and beverage outlets, will not only raise the Group's footprint in Macau, but will also draw a wider diversity of visitors to Macau.

At the same time, the Group is also venturing to other parts of Asia to capture growth in new geographic markets. EGT is expanding its presence in Cambodia by opening its first casino project at important Cambodia-Thailand border crossings in May this year and developing another project expected to open in the first quarter of 2013. In early July 2012, MPEL Projects Limited, a wholly-owned subsidiary of Melco Crown Entertainment, entered into a Memorandum of Agreement for development and operation of an integrated casino resort located in Parañaque City in the Philippines. The aim of these initiatives is to capture the anticipated growth in the leisure and tourism industries in the Philippines, as the increasingly affluent and growing Asian middle class continues to seek new travel destinations. The final closing of the definitive agreements is expected in the coming months. The Group will leverage its experience providing innovative leisure and entertainment projects in Macau in the new project in the Philippines, further increasing the Group's market share and strengthening its presence in Asia.

All in all, the Group anticipates generating a strong return on the investment and shareholder's value from these new endeavours. Guided by an innovative strategy, creatively conceived entertainment options and excellent execution, Melco will continue its efforts to become the entertainment market leader in Asia and to play a significant role in shaping the future of gaming and entertainment in the region.

Looking into the second half of 2012, the Group is confident about a steady and healthy growth in Macau's gaming industry and good performance from all business operations. Melco Crown Entertainment is forging ahead with the development of Studio City and the Group as a whole is actively evaluating expansion opportunities across the Asia Pacific region. Melco will work closely with the Macau Government and support the Government's objective to broaden the economy by increasing entertainment and tourism diversity in the city while giving back to the local community to achieve sustainable growth, and ultimately maximizing shareholders' value.

FINANCIAL REVIEW

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Segment Results:		
Leisure and Entertainment	**977**	7,016
Property and Other Investments	**8,544**	13,967
	9,521	20,983
Share of profits of associates	**569,664**	198,870
(Loss) gain on deemed disposal of interest in an associate	**(11,741)**	3,484
Fair value change on investment in convertible loan note	**(39,993)**	25,542
Unallocated corporate income	**12,471**	49,716
Central administrative costs and other unallocated corporate expenses	**(75,568)**	(71,990)
Finance costs	**(65,882)**	(61,090)
Profit before tax	**398,472**	165,515
Income tax credit	**10,340**	9,088
Profit for the period	**408,812**	174,603
Non-controlling interests	**(399)**	(784)
Profit for the period attributable to owners of the Company	**408,413**	173,819

For the six months ended 30 June 2012, the Group reported profit attributable to owners of the Company of HK$408.4 million compared to HK$173.8 million for the same period in 2011.

LEISURE AND ENTERTAINMENT

The leisure and entertainment businesses are mainly formed by the core (i) Macau gaming business (conducted via 33.6%-owned Melco Crown Entertainment), (ii) gaming machine revenue participation business (conducted through 38.3%-owned EGT), and (iii) lottery business (conducted through MelcoLot, in which the Group has an effective interest of 35.3% on a fully diluted basis (assuming full conversion of all outstanding convertibles)), together with other non-core businesses.

(1) Core businesses

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

(2) Non-core businesses

For the six months ended 30 June 2012, profit from this segment amounted to approximately HK$1 million (six months ended 30 June 2011: HK$7 million) and the breakdown is as follows:

	Six months ended 30 June	
	2012	2011
	HK\$'000	*HK\$'000*
	(Unaudited)	(Unaudited)
Jumbo Kingdom	**1,193**	7,376
Others	**(216)**	(360)
	977	7,016

Jumbo Kingdom

Jumbo Kingdom includes the Jumbo and Tai-Pak floating restaurants located in Aberdeen, Hong Kong and a restaurant in Beijing, named as J-Kitchen. J-Kitchen was newly established and still operated in a preliminary stage during the period under review.

During the six months ended 30 June 2012, the segment profit of the catering business recorded at approximately HK$1.2 million (six months ended 30 June 2011: HK$7.4 million). The drop was due to the incorporation of the operating loss of J-Kitchen in the amount of HK$1.9 million and the increase in staff cost and other operating expenses such as rent, marketing and promotion during the period.

Others

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

PROPERTY AND OTHER INVESTMENTS

This segment handles property and other treasury investments for the Group. For the six months ended 30 June 2012, it recorded a segment profit of HK$8.5 million (six months ended 30 June 2011: HK$14 million). The drop was primarily due to a decrease in dividend income received from the available-for-sale investments from HK$4.3 million in the first half of 2011 to HK$0.6 million for the same period in 2012.

SHARE OF PROFITS OF ASSOCIATES

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

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Share of profits of Melco Crown Entertainment (1)	**569,672**	198,643
Share of (loss) profit of Power Way Group Limited ("Power Way") (2)	**(8)**	227
	569,664	198,870

In previous years, the Group wrote down its investments in EGT, MelcoLot and MCR to zero. During the review period, no reversal of impairment loss was considered necessary to the Group from the aforesaid associates, as MelcoLot and MCR continued to be loss making and EGT just started to be profit making from the year 2011. In paragraph (3) and (4) below, the performances of EGT and MelcoLot during the first six months of 2012 are briefly described.

(1) Share of profit of Melco Crown Entertainment

For the period under review, the Group's attributable profit arising from its 33.6%[1] ownership of Melco Crown Entertainment amounted to approximately HK$569.7 million (six months ended 30 June 2011: HK$198.6 million) after taking into account the adjustments under the generally accepted accounting principles ("GAAP") in Hong Kong.

According to the financial statements (prepared under US GAAP) of Melco Crown Entertainment, it reported net revenue of US$1,965.4 million for the six months ended 30 June 2012, versus US$1,766.5 million for the six months ended 30 June 2011. The year-over-year increase in net revenue was driven by the significant improvements in operating performance at City of Dreams, as well as contributions from the House of Dancing Water and Club Cubic.

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1 The Group's interest in Melco Crown Entertainment had decreased from 33.7% to 33.6% 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 2012.

Adjusted EBITDA for the first six months of 2012 was US$446.4 million, as compared with an adjusted EBITDA of US$337.6 million in the first six months of 2011. 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$204.4 million for the first half of 2012, compared to a net income of US$73.8 million in the corresponding period of 2011.

City of Dreams

For the six months ended 30 June 2012, net revenue at City of Dreams was US$1,401.0 million versus US$1,108.2 million in the same period of 2011. Its adjusted EBITDA was US$382.3 million, compared to US$237.3 million for the six months ended 30 June 2011. Rolling chip volume totalled US$38.3 billion for the review period, up from US$38.1 billion in the same period of 2011. The rolling chip hold percentage was 3%. 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$1,687.8 million, up from US$1,397.4 million generated in the corresponding period of 2011. The mass market hold percentage was 28.8% in first quarter and 29% in second quarter, which are in line with the target mass market table games hold percentage range of 25% – 30%.

Altira

For the six months ended 30 June 2012, net revenue at Altira Macau was US$469.4 million versus US$577 million in the same period of 2011. Altira Macau generated an adjusted EBITDA of US$81.1 million in the review period compared with US$114.2 million in the same period of 2011. Rolling chip volume totalled US$21.1 billion for the review period, compared with US$25.9 billion in the same period of 2011. The rolling chip hold percentage was 3.1% in the first quarter and 2.7% in the second quarter, which are in line with the target rolling chip hold percentage range of 2.7% – 3%. In the mass market table games segment, drop (a measure of mass market gaming volume) totalled US$289.4 million, up from US$287.3 million generated in the corresponding period of 2011. In the first quarter of 2012, the mass market hold rate was 17.1% while in second quarter, it was 17.7%. The expected mass market table games hold percentage range is 15% – 17%.

Mocha Clubs

Net operating revenue from Mocha Clubs totalled US$72.4 million in the six months ended 30 June 2012, up from US$66.2 million in the corresponding period of 2011. Mocha Clubs generated US$18.7 million of adjusted EBITDA in the review period, which compares with US$21.4 million in the same period of last year. In the second quarter of 2012, the number of gaming machines in operation at the Mocha Clubs averaged approximately 2,100. The average net win per gaming machine per day was US$181 in the second quarter of 2012, as compared with US$226 in the same period of 2011.

(2) Share of (loss) profit of Power Way

For the six months ended 30 June 2012, the Group's attributable loss arising from Power Way amounted to approximately HK$8,000 (six months ended 30 June 2011: profit of HK$0.2 million).

(3) 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 2012 increased to approximately US$14.7 million as compared to approximately US$13 million in the six months ended 30 June 2011. 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 2012 was US$10.1 million as compared to US$8.7 million for the six months ended 30 June 2011. For the six months ended 30 June 2012, EGT reported a net income of approximately US$1.5 million compared to approximately US$1 million for the six months ended 30 June 2011.

In May 2012, the Company opened the mass market floor of its first casino development project, Dreamworld Pailin. Dreamworld Pailin is located at the Cambodia-Thailand border on a growing trade route connecting the two countries. This was a milestone event as it marked the Company's first casino opening in Indo-China and begins a new phase in its growth strategy.

As of 30 June 2012, EGT had an operating machine base of 1,441 machines. Out of the total units, 623 were installed in the Philippines and 818 were installed in Cambodia.

(4) Performance of MelcoLot during the review period

According to the financial statements of MelcoLot, it recorded revenue of HK$19.9 million for the six months ended 30 June 2012 (six months ended 30 June 2011: HK$33.1 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 finalised.

Loss for the period amounted to HK$87.4 million (six months ended 30 June 2011: HK$71.8 million), after charging non-cash expenses which include:

(i) imputed interest on convertible bonds of HK$49.4 million (six months ended 30 June 2011: HK$42.1 million) due to the liability component of the convertible bonds carried at amortised cost by using the effective interest method;

(ii) depreciation and amortisation expenses of property, plant and equipment and intangible assets of HK$1.7 million (six months ended 30 June 2011: HK$3.1 million); and

(iii) write-down of inventories of HK$5.3 million (six months ended 30 June 2011: HK$5.5 million) relating to aged lottery terminals.

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

During the six months ended 30 June 2012, the Group's ownership interest in its associate, Melco Crown Entertainment, decreased from 33.7% to 33.6%, 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 recognised a loss of approximately HK$11.7 million (six months ended 30 June 2011: gain of HK$3.5 million) which represented the decrease (six months ended 30 June 2011: increase) in net assets attributable to the Group.

FAIR VALUE CHANGE ON INVESTMENT IN CONVERTIBLE LOAN NOTE

During the period ended 30 June 2012, a fair value loss of approximately HK$40 million (six months ended 30 June 2011: a fair value gain of HK$25.5 million) regarding MelcoLot's convertible loan note was recognised in profit or loss. The fair value of MelcoLot's convertible loan note is assessed by the Group with reference to the amount that can be recovered from the underlying net assets of MelcoLot.

UNALLOCATED CORPORATE INCOME

For the six months ended 30 June 2012, the unallocated corporate income of approximately HK$12.5 million (six months ended 30 June 2011: HK$49.7 million) represented the net amortised financial guarantee income (six months ended 30 June 2011: HK$43 million) in relation to the joint and several financial guarantee provided by the Company and Crown Asia Investments Pty. Ltd. ("Crown Asia") for the exchangeable bonds issued by Melco Crown SPV Limited. During the period ended 30 June 2011, it also included a gain of extension of long term payable to Crown Asia of approximately HK$6.7 million.

CENTRAL ADMINISTRATIVE COSTS AND OTHER UNALLOCATED CORPORATE EXPENSES

Unallocated expenses rose by 5.2% from approximately HK$72 million for the six months ended 30 June 2011 to HK$75.6 million for the six months ended 30 June 2012. The increase was primarily due to the increase in share options and share award expenses during the period.

FINANCE COSTS

Finance costs increased by 7.8% from approximately HK$61.1 million for the six months ended 30 June 2011 to approximately HK$65.9 million for the six months ended 30 June 2012. The increase mainly came from the net effect on an increase in imputed interest expense of HK$7.6 million on the convertible loan note and the decrease in imputed interest expense of HK$3.3 million from the long-term payment to Crown Asia which had been fully set-off for conversion of Melco Crown Entertainment's shares in November 2011.

INCOME TAX CREDIT

A deferred tax of approximately HK$10.3 million (six months ended 30 June 2011: HK$9.1 million) was credited to the condensed consolidated statement of comprehensive income for the six months ended 30 June 2012. This was related to the reversal of temporary differences arising from the recognition of convertible loan note equity component during the period.

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 2012, total assets of the Group were HK$9,041.1 million (31 December 2011: HK$8,577.9 million) which were financed by shareholders' funds of HK$7,589.4 million (31 December 2011: HK$7,182.6 million), non-controlling interests of HK$28.9 million (31 December 2011: HK$28.9 million), current liabilities of HK$104.4 million (31 December 2011: HK$321.9 million), and non-current liabilities of HK$1,318.4 million (31 December 2011: HK$1,044.5 million). The Group's current ratio, expressed as current assets over current liabilities, improved from 2.3 in December 2011 to 6.7 in June 2012.

During the six months ended 30 June 2012, the Group recorded a net cash inflow of HK$52.2 million (six months ended 30 June 2011: net cash outflow of HK$49.1 million). As of 30 June 2012, cash and cash equivalents of the Group totalled HK$149.2 million (31 December 2011: HK$97.1 million). The gearing ratio, expressed as a percentage of total borrowings (including bank borrowings and convertible loan note) over shareholders' funds, was at a satisfactory level of 17% as of 30 June 2012 (31 December 2011: 17%). The Group adopts a prudent treasury policy. 95% 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 2012, the Group's bank deposit of approximately HK$0.9 million (31 December 2011: HK$0.9 million) was pledged as security for obtaining utilities for certain subsidiaries of the Group.

As at 30 June 2012, the Group's convertible loan note amounted to HK$1,018.3 million, which is non-interest bearing and due in September 2013. As at 30 June 2012, the Group's total available bank loan facilities from various banks amounted to HK$496.7 million (31 December 2011: HK$309.2 million), of which HK$81.7 million (31 December 2011: HK$84.2 million) was secured by pledging HK$169 million of the Group's investment properties. As at 30 June 2012, the Group utilised HK$223 million and HK$81.7 million of unsecured and secured bank loan facilities respectively (31 December 2011: unsecured HK$223 million; secured HK$54.2 million). Details of bank borrowings are given in note 14 to the condensed consolidated financial statements.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

Other than those mentioned in note 17 to the condensed consolidated financial statements, the Group had no further 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 11,832 as of 30 June 2012. Excluding the employees from associates such as Melco Crown Entertainment, MelcoLot, MCR and EGT, the total number of the Group's employees becomes 234 as of 30 June 2012 (as of 31 December 2011: 233 employees). Among the 234 employees, 229 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 2012, including directors' emoluments, share option expenses and share award expenses, amounted to HK$84.4 million (six months ended 30 June 2011: HK$70.3 million).

Melco believes that the key to success lies in its people. The Group strives to create an environment that makes people proud to be 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$39.8 million as at 30 June 2012 in respect of the exchangeable bonds issued by Melco Crown SPV limited, the jointly controlled entity of the Group, which are jointly and severally guaranteed by the Company and Crown Asia.

FOREIGN EXCHANGE EXPOSURE

It is the Group's policy for its operating entities to operate in their corresponding local currencies to minimise 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 considered 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 2012 (six months ended 30 June 2011: 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 "Former 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 of Hong Kong Limited, ultimately ensuring that the Group runs a highly transparent operation and is accountable to its shareholders. With the introduction of the revised Corporate Governance Code (the "HKSE Code") set out in Appendix 14 of the Listing Rules with effect from 1 April 2012, the Company Code was also revised to be in line with the principles and code provisions of the HKSE Code.

The Company has complied with the code provisions set out in the Former HKSE Code (Code on Corporate Governance Practices) during the period from 1 January to 31 March 2012 and the code provisions set out in the HKSE Code (Corporate Governance Code) during the period from 1 April to 30 June 2012, except for the following deviations:

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.

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.

Code provision A.6.7 of the HKSE Code requires that independent and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. All directors of the Company except Mr. Ng Ching Wo, a non-executive director, have attended the annual general meeting held on 30 May 2012 (the "2012 AGM"). Mr. Ng was absent from the 2012 AGM as he had another business engagement.

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;
g. Regulatory Compliance Committee; and
h. 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.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of the directors of the Company, all the directors confirmed that they have complied with the required standard of dealings and code of conduct regarding securities transactions by directors set out in the Model Code throughout the six months ended 30 June 2012.

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 2012.

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

During the six months ended 30 June 2012, 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 5,000,000 shares of the Company. The total amount paid to acquire these shares during the period was approximately HK$34,500,000.

INDEPENDENT REVIEW

The interim results for the six months ended 30 June 2012 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants by the Company's auditor, whose independent review report is included in the interim report.

BOARD OF DIRECTORS

As at the date of this 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, 29 August 2012