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 2013

FINANCIAL HIGHLIGHTS

1. Profit attributable to owners of the Company was HK$576.9 million for the six months ended 30 June 2013, improved from a profit attributable to owners of the Company of HK$408.4 million for the same period in 2012.

2. Basic earnings per share attributable to owners of the Company was HK37.6 cents for the six months ended 30 June 2013 compared to HK33.2 cents per share for the six months ended 30 June 2012.

3. Net asset value per share attributable to owners of the Company increased by 12%, to HK$6.88 as of 30 June 2013, as compared with HK$6.12 as of 31 December 2012.

4. Gearing ratio increased by 7% to 12% as of 30 June 2013 when compared with 31 December 2012 with 5%. The Group maintained a healthy financial position during the period under review.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013

		Six months ended 30 June	
		2013	2012
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	3	**94,414**	63,609
Other income		**34,391**	17,614
Investment income		**2,101**	497
Purchase and changes in inventories of finished goods		**(40,459)**	(14,795)
Employee benefits expense		**(103,063)**	(84,372)
Depreciation of property, plant and equipment		**(3,661)**	(2,717)
Increase in fair value of investment properties		**46,000**	–
Loss on deemed disposal of interest in an associate	4	**(32,337)**	(11,741)
Fair value change on investment in convertible loan note		**–**	(39,993)
Share of profits of associates	9	**659,066**	569,664
Other expenses		**(54,420)**	(33,412)
Finance costs		**(16,982)**	(65,882)
Profit before tax		**585,050**	398,472
Income tax (expense) credit	5	**(5,608)**	10,340
Profit for the period		**579,442**	408,812
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(3,469)**	30
Share of exchange differences of an associate		**(22,185)**	–
Other comprehensive (expense) income for the period		**(25,654)**	30
Total comprehensive income for the period		**553,788**	408,842
Profit for the period attributable to:			
Owners of the Company		**576,879**	408,413
Non-controlling interests		**2,563**	399
		579,442	408,812

		Six months ended 30 June	
		2013	2012
	NOTE	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Total comprehensive income for the period attributable to:			
Owners of the Company		**552,829**	408,443
Non-controlling interests		**959**	399
		553,788	408,842
Earnings per share	7		
Basic (HK cents)		**37.6**	33.2
Diluted (HK cents)		**36.8**	30.3

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	NOTES	**30 June 2013 HK$'000 (Unaudited)**	31 December 2012 HK$'000 (Audited)
Non-current assets			
Investment properties		**117,000**	227,000
Property, plant and equipment		**16,612**	27,223
Other intangible assets		**5,700**	5,700
Interests in joint ventures		**–**	–
Interests in associates	9	**10,036,183**	8,835,811
Available-for-sale investments		**1,630**	3,958
		10,177,125	9,099,692
Current assets			
Inventories		**2,339**	2,578
Trade receivables	10	**75,412**	65,804
Prepayments, deposits and other receivables		**33,788**	26,457
Held-for-trading investments		**150**	198
Amounts due from associates	11	**4,622**	175
Pledged bank deposits	8	**947**	947
Bank deposits with original maturity over three months		**1,269,876**	573,625
Bank balances and cash		**163,800**	155,856
		1,550,934	825,640
Assets classified as held for sale		**156,000**	–
		1,706,934	825,640
Current liabilities			
Trade payables	12	**55,013**	48,679
Other payables		**57,456**	46,958
Amounts due to associates	11	**–**	10,396
Amounts due to joint ventures	11	**165**	–
Dividend payable		**23,152**	158
Taxation payable		**21,461**	21,245
Borrowings – due within one year	13	**27,980**	33,980
		185,227	161,416
Net current assets		**1,521,707**	664,224
Total assets less current liabilities		**11,698,832**	9,763,916

	NOTE	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Non-current liabilities			
Deferred tax liabilities		**16,312**	10,792
Borrowings – due after one year	13	**1,191,740**	455,230
		1,208,052	466,022
		10,490,780	9,297,894
Capital and reserves			
Share capital		**767,310**	766,483
Reserves		**9,798,096**	8,607,950
Equity attributable to owners of the Company		**10,565,406**	9,374,433
Non-controlling interests		**(74,626)**	(76,539)
		10,490,780	9,297,894

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2013

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 (the "Listing Rules").

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, 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 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

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

- HKFRS 10 *Consolidated Financial Statements*;
- HKFRS 11 *Joint Arrangements*;
- HKFRS 12 *Disclosure of Interests in Other Entities*;
- Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*;
- HKFRS 13 *Fair Value Measurement*;
- HKAS 19 (as revised in 2011) *Employee Benefits*;
- HKAS 27 (as revised in 2011) *Separate Financial Statements*;
- HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*;
- Amendments to HKFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities*;
- Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*;
- Amendments to HKFRSs *Annual Improvements to HKFRSs 2009-2011 Cycle*; and
- HK(IFRIC) – Int 20 *Stripping Costs in the Production Phase of a Surface Mine*.

Amendments to HKAS 1 “Presentation of Items of Other Comprehensive Income”

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The application of the other new or revised 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. Save as disclosed in the annual report for the year ended 31 December 2012, the directors of the Company anticipate that the application of those new and revised standards, amendments and interpretation issued but not yet effective will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENTAL INFORMATION

The Group’s operating and reportable segments under HKFRS 8 *Operating Segments* are as follows:

(1) Gaming, Leisure and Entertainment Segment: It mainly comprises provision of catering, entertainment and related services and lottery business, including the provision of services and solutions for distribution of lottery products and trading of lottery terminals.

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

Information regarding the above segments is reported below.

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

Six months ended 30 June 2013 (Unaudited):

	Gaming, Leisure and Entertainment *HK$'000*	Property and Other Investments *HK$'000*	Segment's Total *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
External sales	**82,162**	**12,252**	**94,414**	**–**	**94,414**
Inter-segment sales	**310**	**748**	**1,058**	**(1,058)**	**–**
Total revenue	**82,472**	**13,000**	**95,472**	**(1,058)**	**94,414**
Segment results	**(14,344)**	**55,605**	**41,261**	**–**	**41,261**
Central administrative costs and other unallocated corporate expenses					**(88,642)**
Unallocated corporate income					**22,684**
Finance costs					**(16,982)**
Loss on deemed disposal of interest in an associate					**(32,337)**
Share of profits of associates					**659,066**
Profit before tax					**585,050**

Six months ended 30 June 2012 (Unaudited):

	Gaming, Leisure and Entertainment *HK$'000*	Property and Other Investments *HK$'000*	Segment's 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 results	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

Segment results represent the profit earned or loss incurred 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 ("CEO") of the Company for the purposes of resource allocation and performance assessment.

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

Segment assets and liabilities

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

Segment assets

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Gaming, Leisure and Entertainment	**100,384**	102,055
Property and Other Investments	**1,708,542**	961,027
Total segment assets	**1,808,926**	1,063,082
Interests in associates	**10,036,183**	8,835,811
Unallocated assets	**38,950**	26,439
Consolidated assets	**11,884,059**	9,925,332

Segment liabilities

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Gaming, Leisure and Entertainment	**79,319**	77,037
Property and Other Investments	**10,526**	437
Total segment liabilities	**89,845**	77,474
Unallocated liabilities	**1,303,434**	549,964
Consolidated liabilities	**1,393,279**	627,438

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than interests in associates, interests in joint ventures, pledged bank deposits and other assets not attributable to respective segment.

- all liabilities are allocated to operating segments other than borrowings, dividend payable, deferred tax liabilities and other liabilities not attributable to respective segment.

4. LOSS ON DEEMED DISPOSAL OF INTEREST IN AN ASSOCIATE

During the period ended 30 June 2013, the Group's ownership interest in its associate, Melco Crown Entertainment Limited ("Melco Crown Entertainment"), decreased from 33.73% to 33.65% (six months ended 30 June 2012: decreased from 33.65% to 33.57%), 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$32,337,000 (six months ended 30 June 2012: HK$11,741,000) which represents the decrease in net assets attributable to the Group of HK$32,189,000 (six months ended 30 June 2012: HK$11,593,000).

5. INCOME TAX (EXPENSE) CREDIT

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax – current period	**(88)**	–
Deferred taxation – current period	**(5,520)**	10,340
	(5,608)	10,340

No provision for Hong Kong Profits Tax during the six months ended 30 June 2013 and 2012 was made as there was no estimated assessable profit derived from Hong Kong. Taxation arising in other jurisdictions is calculated at the rate prevailing in respective jurisdictions.

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

During the six months ended 30 June 2013, the deferred taxation expense represents the temporary differences arising from the fair value gain of overseas investment properties.

During the six months ended 30 June 2012, the deferred taxation credit was mainly derived from the reversal of temporary differences arising from initial recognition of convertible loan note equity component.

6. DIVIDEND

During the six months ended 30 June 2013, a final dividend of HK1.5 cents per share in respect of the year ended 31 December 2012 was declared to the shareholders of the Company (six months ended 30 June 2012: a final dividend of HK1.5 cents per share in respect of the year ended 31 December 2011 was declared and paid to the shareholders of the Company.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013	2012
	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)	**576,879**	408,413
Effect of dilutive potential ordinary shares:		
Interest on convertible loan note	**–**	62,668
Adjustment in relation to share options and awarded shares issued by an associate of the Group	**(5,793)**	(4,461)
Earnings for the purpose of diluted earnings per share	**571,086**	466,620

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,532,890,845**	1,230,619,377
Effect of dilutive potential ordinary shares:		
Convertible loan note	**–**	298,982,188
Share options and awarded shares issued by the Company	**17,856,510**	7,938,153
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,550,747,355**	1,537,539,718

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 periods ended 30 June 2013 and 2012, the computation of diluted earnings per share does not assume the exercise of the Company's certain share options and the vesting of certain unvested awarded shares under the Company's long-term incentive schemes because the adjusted exercise price of those options and unvested awarded shares are higher than the average market price of the Company's shares for the period.

8. PLEDGE OF ASSETS

As at 30 June 2013, the Group's bank deposits and investment properties which amounted to approximately HK$947,000 (31 December 2012: HK$947,000) and HK$117,000,000 (31 December 2012: HK$227,000,000), respectively, were pledged as security for obtaining utilities and banking facilities of the Group.

9. INTERESTS IN ASSOCIATES

As at 30 June 2013, the Group held approximately 33.65% (31 December 2012: 33.73%) interests in Melco Crown Entertainment, 18.85% (31 December 2012: 18.85%) interests in Mountain China Resorts (Holding) Limited ("MCR"), 38.14% (31 December 2012: 38.20%) interests in Entertainment Gaming Asia Inc. and 40.00% (31 December 2012: 40.00%) interests in ChariLot Company Limited. During the period ended 30 June 2013, the Group recognised share of profits of associates of approximately HK$659,066,000 (six months ended 30 June 2012: HK$569,664,000) and share of net assets changes of approximately HK$595,680,000 (six months ended 30 June 2012: Nil), representing share of the gain recognised by Melco Crown Entertainment in its consolidated financial statements arising from deemed disposal of partial interest in its subsidiary, Melco Crown (Philippines) Resorts Corporation ("MCP"). The deemed disposal of partial interest related to the issuance of shares and sales of treasury shares of MCP during the current interim period. The investment costs of MCR and Entertainment Gaming Asia Inc. were fully impaired in prior years.

10. TRADE RECEIVABLES

The Group's trade receivables related to the catering income from the Gaming, Leisure and Entertainment segment and Property and Other Investments segment are largely operated on cash on delivery or due immediately from date of billing, except for those well-established customers to whom credit terms of 30 to 120 days would be granted.

The Group allows credit periods ranging from 30 to 90 days to its trade customers related to the lottery business from the Gaming, Leisure and Entertainment segment.

The following is an analysis of trade receivables by age, presented based on invoice date, which approximated the respective revenue recognition date.

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**17,462**	34,615
31 – 90 days	**5,771**	19,034
Over 90 days	**52,179**	12,155
	75,412	65,804

11. AMOUNTS DUE FROM (TO) ASSOCIATES AND JOINT VENTURES

Included in amounts due from associates are:

a) amount due from an associate of approximately HK$2,376,000 (31 December 2012: HK$2,379,000) is unsecured, non-interest bearing and repayable on demand and approximately HK$165,761,000 (31 December 2012: HK$185,211,000) is unsecured, interest bearing at 3% per annum and repayable on demand. All of the above balances were fully impaired as at 30 June 2013 and 31 December 2012.

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

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

12. TRADE PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date.

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**17,094**	31,562
31-90 days	**5,456**	11,111
Over 90 days	**32,463**	6,006
	55,013	48,679

13. BORROWINGS

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Bank loans (note (i))	**459,720**	489,210
Other borrowings (note (ii))	**760,000**	–
	1,219,720	489,210
Secured	**46,720**	76,210
Unsecured	**1,173,000**	413,000
	1,219,720	489,210
Carrying amount repayable:		
Within one year		
– With repayable on demand clause	**23,000**	23,000
– Without repayable on demand clause	**4,980**	10,980
More than one year, but not exceeding two years	**4,980**	10,980
More than two years, but not exceeding five years	**1,164,940**	419,940
Exceeding five years	**21,820**	24,310
	1,219,720	489,210
Less: Amounts due within one year shown under current liabilities	**(27,980)**	(33,980)
	1,191,740	455,230

Notes:

i) 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 2012: HIBOR plus 1.5% to 2.5%) per annum.

ii) In February 2013, Melco Finance Limited, a wholly owned subsidiary of the Company, issued guaranteed bonds with principal amount of HK$760,000,000 ("Bonds") to independent investors. The interest on the Bonds is accrued at a rate of 4.15% per annum, payable quarterly in arrears, with maturity date of 5 March 2018. The Bonds are guaranteed by the Company. The proceeds will be used by the Company for general working capital and future investment purposes.

14. EVENTS AFTER THE REPORTING PERIOD

On 10 July 2013, New Crescent Investment Limited ("New Crescent"), a company incorporated in the British Virgin Islands ("BVI") with limited liability and a wholly owned subsidiary of the Company, entered into an amended and restated preliminary agreement with Summit Ascent Holdings Limited ("Summit Ascent"), a company incorporated in Bermuda with limited liability and having its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited, and Elegant City Group Limited ("Elegant City"), a company incorporated in the BVI with limited liability.

On 23 August 2013, New Crescent entered into an investment and shareholders agreement ("Investment Agreement") with Summit Ascent Russia Limited ("SARL"), a company incorporated in the BVI with limited liability and a wholly owned subsidiary of Summit Ascent, Firich Investment Limited, a company incorporated with limited liability in Mauritius and a wholly owned subsidiary of Firich Enterprises Co., Ltd, a company incorporated with limited liability in Taiwan and having its shares listed on the GreTai Securities Market in Taiwan, Elegant City and Oriental Regent Limited ("Oriental Regent"), a company incorporated in Hong Kong with limited liability, which supersedes and replaces the amended and restated preliminary agreement.

The Investment Agreement provides that New Crescent will make an investment in a gaming and resort development project in Russia, by subscribing new shares of Oriental Regent, representing 5% of the enlarged issued share capital of Oriental Regent upon completion pursuant to the terms and conditions of the Investment Agreement. Summit Ascent and SARL are associates (as defined in the Listing Rules) of Mr. Ho, Lawrence Yau Lung, the Chairman and CEO and a substantial shareholder of the Company; accordingly, Summit Ascent and SARL are connected persons of the Company and the entering into by New Crescent of the Investment Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

The estimated total investment for the casino resort complex to be constructed is approximately US$130.0 million (approximately HK$1,008.2 million), of which New Crescent's estimated total investment is approximately US$6.5 million (approximately HK$50.4 million).

Further details of the transaction have been set out in the announcements of the Company dated 10 July 2013 and 25 August 2013.

MANAGEMENT DISCUSSION & ANALYSIS

Significant Events and Developments

The first half of 2013 marked another eventful period for Melco International Development Limited ("Melco" or the "Group"), with sustainable growth momentum and significant milestones achieved. The Group delivered solid results in the period under review with its financial performance steadily improving and grasped exciting opportunities by expanding into the emerging Asian and Eurasian markets.

The core gaming arm Melco Crown Entertainment Limited ("Melco Crown Entertainment or "MCE"), an associate of the Group, continued to deliver strong improvement, with increasing both group-wide rolling chip revenues and mass market gross gaming revenues. City of Dreams, the unique world-class flagship integrated resort designed for premium mass market customers, continues to expand its customer base as it boosts its profitability in the highly competitive market, underscoring the success of its unique customer experience offerings. Studio City, the cinematically-themed mass market focused integrated entertainment resort, remains on track to open around mid-2015.

Beyond Macau, Melco Crown Entertainment has announced its Manila Project with iconic key entertainment attractions that are set to diversify the Philippines' tourism and entertainment landscape. Besides, Melco is not restricting its vision in pursuing further growth opportunities. Testimony to this is that the Group has been invited by Veremonte to take part in the Barcelona World Project as a casino operator. In the coming months, the Group is working with Veremonte on the definitive casino management agreement and shall make an announcement when the agreement is signed.

Elsewhere, Melco has committed to a 5% investment in the gaming and resort development project in Russia's Primorye Region. The Russian casino resort, geographically close to major target feeder markets, including the three Chinese provinces in Northeastern China, is expected to open in or around September 2014, and will most likely be the first licensed casino to start operating in the Far Eastern Region of Russia after the ban of gambling in the country (except for the four designated border zones) in 2009. The project is expected to generate meaningful synergies with the Group's existing gaming and entertainment assets, further enhancing Melco as a leading gaming and entertainment company in the industry.

CORE BUSINESS

Gaming business in Asia

The Group's core gaming and Macau business units under its major associate, Melco Crown Entertainment delivered strong net revenue and Adjusted EBITDA growth of 24% and 35% to US$2,440.0 million and US$603.6 million respectively in the first half of 2013, primarily driven by the substantially improved group-wide mass table games and higher group-wide rolling chip volumes together with effective cost-control initiatives.

Uniquely positioned to cater to the needs of highly discerning premium mass market customers, City of Dreams has captured meaningful market share in the mass market table games segment, with its mass table yield significantly outperforming all of the other properties in Macau. In addition to the success in the mass market segment, Melco Crown Entertainment also delivered record group-wide rolling chip volumes, illustrating its success in maximizing table productivity across all segments, especially in the table supply constrained market.

City of Dreams has further solidified its leading position in the premium and high-end mass market segments in Macau, with its amazing array of accommodation options, retail and food and beverage offerings and diversified non-gaming facilities. The internationally acclaimed water-based extravaganza, The House of Dancing Water, has already attracted more than two million patrons in the approach to its third anniversary. This astounding show has certainly redefined performance entertainment in the city and is still a major tourism draw card for Macau as a whole.

To provide a distinctive entertainment experiences for visitors to Macau, the Group has presented the cross-over acrobatic and musical spectacular "Viva Fiesta 2013" featuring the China National Diving Team, the National Synchronized Swimming Team, and acclaimed singers at Dancing Water Theater at City of Dreams, and has also invited international illusion master Franz Harary and his hand-picked team of world-class magicians for his inaugural performance in Macau at City of Dreams. These performances, together with the most seductively alluring hit cabaret show "TABOO" brought again to Club Cubic since April and the truly amazing SPLASH poolside party series testify to the Group's capability to create an extraordinary entertainment-centric resort that appeals to a wide range of patrons.

While the Group is focusing on the existing portfolio of properties in Macau, the development of projects in the pipeline is progressing smoothly. The fifth hotel tower at City of Dreams is anticipated to commence construction by the end of 2013. The unique cinematically-themed integrated resort Studio City has completed its foundation and piling work and is on schedule to be open by mid-2015. Outside Macau, the timing of the Manila Project remains unchanged and is expected to open around the middle of next year.

Elsewhere, the Group has continued to explore growth opportunities across various emerging gaming jurisdictions to maximize shareholder value and business prospects. It has partnered with Summit Ascent Holdings Limited ("Summit Ascent") to tap the potentially lucrative Russian gaming market by investing in a casino project at Vladivostok along the Pacific Coast. The casino resort complex is expected to open in or around September 2014. The management is confident that these new projects will help to pioneer the innovative, world-class entertainment excitement the Group has brought to Macau across other Asian markets as a strategy to maximize its long term returns to shareholders.

Gaming Machine Revenue Participation Business in Southeast Asia

Entertainment Gaming Asia Inc. ("EGT"), a company listed on NASDAQ Capital Market (NASDAQ: EGT), in which the Group has an effective equity interest of approximately 38.14%, achieved 8% revenue improvement for the first half of 2013 mainly attributable to the expansion of its casino operations as well as gaming chips and plaques business.

EGT has an established presence within gaming markets in Cambodia and the Philippines through its slot operations business. As of 30 June 2013, EGT had over 1,600 electronic gaming machine seats in operation. This included 670 seats placed under the joint management of EGT and NagaWorld Limited, a wholly-owned subsidiary of NagaCorp Ltd. (Stock code: 3918), in NagaWorld Resort and Casino located in Phnom Penh, Cambodia. EGT's slot operations achieved an average daily net win of approximately US$135 per machine seat for the second quarter of 2013, while its operations in NagaWorld achieved an average daily net win of approximately US$256 per machine seat for the same period.

In May 2013, EGT expanded its slot operations in Cambodia with the opening of Dreamworld Club, a standalone slot hall with approximately 300 electronic gaming machine seats. EGT solely developed and operates this slot club as an extension of the existing casino owned by a local company. It is prominently located in the established gaming market of Poipet near the Thailand border.

With quality recurring cash flow from its slot operations and a well-established presence in its target markets, EGT is expanding its gaming operations through its own regional casinos under its "Dreamworld" brand in Cambodia. EGT opened its first casino project in May 2012, which is located in the emerging gaming market of Pailin near the Thailand border. This project delivered US$2.0 million to revenue for the period under review.

In addition, during the first half of 2013, EGT completed its plans to re-strategize its legacy businesses with the divestiture of a low-margin non-gaming business and relocation and repositioning of its gaming products (gaming chips and plaques) division from Australia to Hong Kong to substantially reduce costs and better serve the growing gaming markets in Asia. EGT's gaming chips and plaques business contributed US$1.6 million to revenue for the period under review. With ongoing product enhancement and diversification, strong customer relationships, and leaner operating structure, EGT's gaming products are expected to be a meaningful contributor to its future earnings.

Lottery Management Business in Asia

MelcoLot Limited ("MelcoLot"), in which the Group holds an equity interest of 50.59%, is principally engaged in the provision of lottery-related technologies, systems and solutions in China. During the review period, MelcoLot's revenue increased by approximately 58%. It was attributed to the distribution of lottery terminals for the state-run China Sports Lottery Administration Centre and in line with the growth of the overall China lottery market. MelcoLot recorded a loss of HK$6.7 million for the six months ended 30 June 2013, compared to a loss of HK$87.4 million for the corresponding period in 2012. The improvement was mainly due to the overall increase in gross profit margin, tighter cost control, and decrease in finance cost from the extinguishment of convertible bonds in late 2012 which cut off the relevant imputed interest.

Despite the fact that the lottery industry continues to show strong year-on-year growth as a whole, there is still enormous potential for future growth in China's lottery market. This situation is due to the low lottery penetration rate in China and low sales rates compared to other more developed nations in per capita terms. The industry is also impacted by the illegal gambling market which is fragmentary and uncountable, hence leading to the reformation of the lottery sector by authorities to recapture such underground lottery revenues. The promulgation of the new regulations on the administration of lotteries, the introduction of the new rapid-draw lottery games and single match sports betting, as well as the increase of prize payout ratios, and the opening up of online and phone lottery distribution, all reflected that the Chinese government is dedicated to making the lottery industry more competitive and appealing in order to support its long-term growth. MelcoLot aims to leverage its access to the world-class expertise of its strategic shareholders and is increasing its focus on new media technologies and sales platforms in order to capitalize on this growing market development.

NON-CORE BUSINESSES

Ski Resort Business in China

The Group owns 18.85% 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 May 2013, the Group received CAD$3.0 million in the form of cash from MCR, as the first phase of the settlement of loan advanced to MCR Group amounting to US$23.0 million, for fulfilling the terms and conditions pursuant to the conditional agreement entered in May 2012.

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 hotels at Yabuli Resort, has consistently maintained the sales revenue level as the same period last year and constituted approximately 78% of the total business of Yabuli Resort in the first half of 2013.

Since the 2016 World Championships of Snowboarding, which is the world's most respected snowboarding contest, will be hosted in Yabuli, coordinately, Yabuli Resort is currently undertaking some major makeovers on the ski resort, including building a new snowboarding park and increasing the number of challenging and entertaining ski tracks, in preparation for assisting the 2016 World Championships of Snowboarding and welcoming the increasing number of visitors for witnessing this great event.

ACHIEVEMENTS AND AWARDS

While always striving for betterment and continuous growth, Melco has been constantly dedicated to maintaining high standards of corporate governance and corporate social responsibility ("CSR"), along with enhanced transparency and accountability. During the period under review, the Group's efforts towards this end were again acknowledged by widespread acclaim, recognition and solid support across all quarters of society.

Corporate Governance

Melco's effort in maintaining the highest standard of corporate governance has long been recognized by *Corporate Governance Asia* magazine. In 2013, the Group has been honored with the "Icon on Corporate Governance" within the magazine's "Corporate Governance Asia Annual Recognition Award". Besides, the magazine also presented the "Best Investor Relations by a Hong Kong Company" in the "Asian Excellence Recognition Awards" to Melco for the third year running.

In addition to the Group, Melco's management has also gained the appreciation within the business community for its strong leadership. Group Chairman and Chief Executive Officer ("CEO"), Mr. Lawrence Ho, has not only been honored with one of the "Asian Corporate Director Recognition Awards" presented by *Corporate Governance Asia* magazine for the second consecutive year, he has also been recognized for the second time with the "Asia's Best CEO (Investor Relations)" honor at the "Asian Excellence Awards" presented by the magazine. All of these accolades are clear evidence that the Group's efforts in corporate governance are widely appreciated.

Corporate Social Responsibility

As part of its mission to build a better community, Melco regards corporate social responsibility a fundamental part of its operations, devoting its utmost efforts in contributing to society and caring for the environment and the community.

In 2013, the Group has garnered the "President's Award" for the eighth consecutive year presented by The Community Chest and the 5 Years Plus Caring Company Logo for the third year running presented by Hong Kong Council of Social Service. Besides, *Corporate Governance Asia* magazine has selected the Group for the "Best CSR" award in its "Asian Excellence Awards", in recognition of its continuous support and commitment to community service. Furthermore, Melco's CSR Report won the "Silver Award in Interior Design" at the International ARC Awards 2012.

In the area of environmental protection, Melco was once again honored to serve as the Diamond Corporate Member of WWF Hong Kong for the third consecutive year. The Group was also awarded the Class of Excellence in Wastewise Label in the Hong Kong Awards for Environmental Excellence. While environmental protection is increasingly a focus of attention all over the world, Melco for its part has proactively made significant progress on the environmental front through launching the green initiatives programs in the living and working environment which is integral to the Group's CSR focus on the environment.

Besides, Melco has been encouraging staff volunteerism throughout the year by innovative measures. It has enhanced its volunteer incentive scheme and also launched the "Melco CSR Wish Fund", which enables its staff members to contribute to their favorite good causes. This dedication to the community has been appreciated within the community as Melco has garnered the Bronze Award for Corporate Volunteer Service 2012 from the Volunteer Movement.

Business Operations

As the operator of a world-class integrated entertainment resort and a premier leisure and entertainment destination in Macau, Melco has always prided itself on offering excellent hospitality and truly unforgettable entertainment experiences to visitors. The Group's efforts have been rewarded with a number of accolades during the period under review recognizing its uniquely exciting offerings. This is most clearly evidenced by the nonpareil facilities and activities in City of Dreams and the integrated resort itself. City of Dreams was recognized as the "Integrated Resort of the Year" at the International Gaming Awards for its first time. Further testimony to the Company's excellence can be found in the resort's catering offerings. The Group is justifiably proud that The Tasting Room has become a star-grade restaurant, earning the "One Star" honor by the respected organization Michelin Guide Hong Kong and Macau. Besides, The Tasting Room was rated fifth within *Hong Kong Tatler's* Best Restaurants Guide's inaugural list of the 20 top restaurants in Hong Kong and Macau. Jade Dragon, another restaurant located in City of Dreams, was also honored as "Best New Restaurant" in *Hong Kong Tatler's* Best Restaurants Guide.

In hospitality and services, Crown Towers at City of Dreams is the first hotel in Cotai, Macau to be granted the Forbes Five-Star Award by Forbes Travel Guide. Altira Macau was also presented Forbes Five-Star Awards in both the Lodging and Spa categories for four consecutive years.

All of these accolades have demonstrated an appreciation by the business community and society of the Group's high standard of operation. Moving forward, Melco resolves to continue to contribute to the communities where it is based while maintaining effective corporate governance as it explores new opportunities for growth and development that create value for all stakeholders.

OUTLOOK

The gaming industry in Macau continued to achieve record-breaking revenue during the period, with the expectation that the world's largest gaming market will maintain its healthy development. Melco is further penetrating its feeder market China, the world's most populous country, with increased visitation from other provinces besides neighboring Guangdong. At the same time, we are broadening our target to other countries in Asia, where the increasingly affluent middle class can further fuel the demand of gaming and entertainment offerings for tourists in Macau.

Both the Macau and Central governments have been very supportive to the Macau tourist industry, positioning Macau for long term success. A number of significant transportation infrastructure projects are progressing smoothly in Macau. For instance, the construction of the Macau light-rail system is well underway, with full sections to be completed in 2015. Works on the Macau-Zhuhai-Hong Kong Bridge and the Taipa ferry terminal are also proceeding according to schedule. Once these projects are completed, accessibility to and within Macau would be immensely improved, driving visitation from target markets to Macau.

The gaming market in Macau has become more competitive as more gaming and non-gaming facilities are developed in Macau, including the expected new supply of integrated resorts in the Cotai region, as well as the impact of recent and future expansion of gaming markets throughout Asia. Nevertheless, the favorable market demand in Asia along with the improving transport and infrastructure facilities are providing Melco with strong support for continued business growth. At the same time, Melco is constantly looking for ways to maximize overall performance of its businesses. The Group is continuing its efforts to optimize table productivity and profitability to drive sustainable revenue growth, which have already delivered remarkable results in the first six months of 2013. Melco will continue to solidify the position of its flagship property, City of Dreams, as a dominant premium and high-end market casino in Macau and maintain its leading position in mass table yield.

As a trailblazing and creative gaming, entertainment and leisure destination, Melco takes particular pride in City of Dreams with its unique non-gaming offerings that set a new standard of entertainment experience in Macau and are helping to shape the future of the city. Together with efforts to bolster its customer reward and retentions program, Melco is looking to nurture repeat business which encourages customers to return, expands its customer base and enhances long term profitability.

Building on the Group's success in Macau, the next phase of expansion at City of Dreams will be housing a fifth hotel tower with a total gross floor area of 1.5 million square feet and construction expected to commence by the end of 2013. The additional hotel tower to this iconic resort represents another powerful addition to the Group's wide array of amenities and attractions.

The Group's exciting development pipeline continues to progress well. Studio City, the unique cinematically-themed resort project of MCE remains on budget and on track to open in the middle of 2015. Studio City is set to bring a unique array of interactive entertainment attractions to the fast-growing Cotai region, which has now become the center of attraction of Macau. In view of other projects under construction that are expected to be completed in the next few years, it adds to the appeal of the area.

Melco is constantly evaluating opportunities to expand its reach outside Macau, hoping to replicate its success in other Asian and Eurasian markets. EGT's Dreamworld Club in Poipet near the Thailand border was opened in May 2013 and has already enjoyed an enthusiastic response. Melco is very optimistic about the new integrated resort development of MCE in Manila, which is progressing according to schedule. It is expected to become one of the most compelling facilities in Asia when it opens in the middle of 2014. Similar to City of Dreams, guided by a vision of bringing an outstanding multi-dimensional entertainment experience to Manila, the resort's entertainment elements leverages Melco's experience in delivering spectacular attractions catering to Asian culture, taste and preference.

Elsewhere, Melco and Summit Ascent were recently invited by Elegant City Limited to develop the first resort-casino in Russia's fledgling entertainment zone just outside Vladivostok. The resort is scheduled to open in the second half of 2014 and may turn out to be an intriguing and lucrative opportunity for the company.

Looking ahead, despite the challenging economic and operating environment which is impacted by the changing global and local economic conditions and the visa and other regulatory policies of the Macau and Central governments, Melco remains optimistic about the development in Macau as well as its businesses around the world, in line with the general expectation of a gradual global economic recovery and the continued strong visitation from China. Melco is committed to execute its group-wide table yield optimization strategy and capitalize on its growth in both the mass market and VIP segments, so as to maximize return on invested capital and add long term value for our shareholders.

FINANCIAL REVIEW

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Segment Results:		
Gaming, Leisure and Entertainment	**(14,344)**	977
Property and Other Investments	**55,605**	8,544
	41,261	9,521
Share of profits of associates	**659,066**	569,664
Loss on deemed disposal of interest in an associate	**(32,337)**	(11,741)
Fair value change on investment in convertible loan note	**–**	(39,993)
Unallocated corporate income	**22,684**	12,471
Central administrative costs and other unallocated corporate expenses	**(88,642)**	(75,568)
Finance costs	**(16,982)**	(65,882)
Profit before tax	**585,050**	398,472
Income tax (expense) credit	**(5,608)**	10,340
Profit for the period	**579,442**	408,812
Non-controlling interests	**(2,563)**	(399)
Profit for the period attributable to owners of the Company	**576,879**	408,413

For the six months ended 30 June 2013, the Group reported profit attributable to owners of the Company of HK$576.9 million compared to HK$408.4 million for the same period in 2012.

SEGMENT RESULTS

Gaming, Leisure and Entertainment

The gaming, leisure and entertainment businesses are mainly formed by the core (i) gaming business in Asia (conducted via 33.65%-owned Melco Crown Entertainment), (ii) gaming machine revenue participation business (conducted through 38.14%-owned EGT), and (iii) lottery business in the People's Republic of China ("PRC") (conducted through 50.59%-owned MelcoLot), together with other non-core businesses.

Under the heading "SHARE OF PROFITS OF ASSOCIATES" below, included are the brief descriptions for the performance of the core gaming business in Asia and gaming machine revenue participation business for the six months ended 30 June 2013.

Below table shows the breakdown of segment results for Gaming, Leisure and Entertainment:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
MelcoLot (1)	**(2,745)**	–
Jumbo Kingdom (2)	**(11,569)**	1,193
Others (3)	**(30)**	(216)
	(14,344)	977

(1) MelcoLot

MelcoLot's business comprises the provision of services and solutions for distribution of lottery products and trading of lottery terminals in the PRC. The segment loss of Melcolot was shared by the Group when MelcoLot became a subsidiary of the Group in December 2012.

As at 30 June 2013, the Group owns approximately 50.59%[1] of MelcoLot. The performance of MelcoLot during the period under review is described below:

MelcoLot's loss for the six months ended 30 June 2013 amounted to HK$6.7 million (six months ended 30 June 2012: HK$87.4 million), representing a decrease in loss of approximately 92%. It was mainly attributable to the following items:

(i) The overall increase in revenue and gross profit margin, especially for sales and trading of lottery terminals.

(ii) Net foreign exchange gain amounted to HK$3.8 million for the six months ended 30 June 2013 (six months ended 30 June 2012: net foreign exchange loss of HK$5.6 million included in other expenses).

(iii) No impairment losses on property, plant and equipment and trade and other receivable for the six months ended 30 June 2013 (six months ended 30 June 2012: HK$2.7 million and HK$2.1 million respectively).

[1] The Group's interest in MelcoLot had decreased from 51.64% to 50.59% as a result of the exercise of share options of MelcoLot for the six months ended 30 June 2013.

(iv) MelcoLot rationalized retail operations in the PRC and imposed tight cost control measures on expenses during the period. Employee benefits costs were reduced to HK$6.7 million for the six months ended 30 June 2013, or a decrease of approximately 25% compared to HK$8.9 million for the corresponding period in 2012.

(v) Finance costs of MelcoLot decreased significantly by approximately 93% from HK$50.1 million for the six months ended 30 June 2012 to HK$3.6 million for the corresponding period in 2013. The decrease was primarily due to the extinguishment of all outstanding convertible bonds in late 2012, which cut off the relevant non-cash, imputed interest.

(2) 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.

This catering business segment resulted a loss of HK$11.6 million for the six months ended 30 June 2013 while a profit of HK$1.2 million for the same period in 2012. With the decrease in sales and increase in staff costs and other operating expenses, business in Hong Kong resulted at breakeven during the period under review as compared to profit of HK$3.1 million for the corresponding period in 2012.

J-Kitchen in Beijing recorded an operating loss of HK$3.6 million during the six months ended 30 June 2013, increased by 89% as compared to HK$1.9 million for the same period in 2012. Due to the underperformance of J Kitchen, the restaurant was closed in June 2013 and HK$8.0 million was recorded in relation to the closure of business, including an impairment loss on property, plant and equipment of HK$6.3 million and other accrued expenses of HK$1.7 million.

(3) 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 2013, it recorded a segment profit of HK$55.6 million (six months ended 30 June 2012: HK$8.5 million). The increase was primarily contributed by the HK$46.0 million fair value gain on investment properties for the period under review. Besides, dividend income received from the available-for-sale investments and interest income from bank deposits also increased respectively from HK$0.6 million and HK$7.3 million in the first half of 2012 to HK$2.1 million and HK$9.2 million for the same period in 2013.

SHARE OF PROFITS OF ASSOCIATES

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

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Share of profits of Melco Crown Entertainment (1)	**659,373**	569,672
Others	**(307)**	(8)
	659,066	569,664

In previous years, the Group wrote down its investments in EGT and MCR to zero. During the period under review, no reversal of impairment loss was considered necessary to the Group from the aforesaid associates, as EGT and MCR continued to make losses. For the six months ended 30 June 2013, EGT and MCR reported net loss of US$2.8 million and CAD8.9 million respectively. In paragraph (2) below, the performance of EGT during the first half of 2013 is briefly described.

(1) Share of profit of Melco Crown Entertainment

For the period under review, the Group's attributable profit arising from its 33.65%[2] ownership of Melco Crown Entertainment amounted to approximately HK$659.4 million (six months ended 30 June 2012: HK$569.7 million) after taking into account the adjustments in accordance with Hong Kong Financial Reporting Standards.

According to the unaudited financial results (prepared in accordance with the United States Generally Accepted Accounting Principles ("U.S. GAAP")) of Melco Crown Entertainment, it reported net revenue of US$2,440.0 million for the six months ended 30 June 2013 versus US$1,965.4 million in the six months ending 30 June 2012. The year-over-year increase in net revenue was primarily driven by the substantially improved group-wide mass table games and rolling chip revenue.

The Adjusted EBITDA for the first six months of 2013 was US$603.6 million, as compared with an Adjusted EBITDA of US$446.4 million in the first six months of 2012. The year-over-year improvements in net revenue and Adjusted EBITDA were primarily attributable to the significant increase in mass table games revenue together with strict cost control focus and higher rolling chip volumes, partially offset by a lower group-wide rolling chip win rate.

---

[2] The Group's interest in Melco Crown Entertainment had decreased from 33.73% to 33.65% 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 2013.

Melco Crown Entertainment reported net income of US$234.8 million for the first half of 2013, compared to a net income of US$204.4 million in the corresponding period of 2012.

City of Dreams

For the six months ended 30 June 2013, net revenue at City of Dreams was US$1,803.0 million versus US$1,401.0 million in the same period of 2012. Its Adjusted EBITDA was US$547.1 million, compared to US$382.3 million for the six months ended 30 June 2012. Rolling chip volume totalled US$48.6 billion for the review period, up 27% from US$38.3 billion in the same period of 2012, and the rolling chip win rate was 2.7% in the first quarter and 3.1% in the second quarter. The expected rolling chip win rate range is 2.7% – 3.0%. Mass market table games drop (a measure of mass market gaming volume) totalled US$2,148.3 million, compare with US$1,687.8 million in the corresponding period of 2012. The mass market table games hold percentage was 32.5% in the first quarter and 32.8% in second quarter, increased from 28.8% and 29.0% in the respective comparable periods last year.

Altira

For the six months ended 30 June 2013, net revenue at Altira Macau was US$543.8 million versus US$469.4 million in the same period of 2012. Altira Macau generated an Adjusted EBITDA of US$81.5 million in the review period compared with US$81.1 million in the same period of 2012. Rolling chip volume totalled US$23.6 billion for the review period, compared with US$21.1 billion in the same period of 2012. The rolling chip win rate was 2.9% in the first quarter and 3.0% in the second quarter, which are in line with the expected rolling chip win rate range of 2.7% – 3.0%. In the mass market table games segment, drop (a measure of mass market gaming volume) totalled US$336.9 million, an increase of 16% from US$289.4 million generated in the comparable period of 2012. In the first quarter of 2013, the mass market hold rate was 15.0% while in the second quarter, it was 15.5%.

Mocha Clubs

Net revenue from Mocha Clubs totalled US$71.2 million in the six months ended 30 June 2013, down from US$72.4 million in the corresponding period of 2012. Mocha Clubs generated US$18.3 million of Adjusted EBITDA in the review period, which compares with US$18.7 million in the same period of last year. In the second quarter of 2013, the number of gaming machines in operation at the Mocha Clubs averaged approximately 2,000, compared to approximately 2,100 in the comparable period in 2012. The average net win per gaming machine per day was US$207 in the second quarter of 2013, as compared with US$181 in the same period of 2012, with an increase of 14%.

The Philippines Project

Melco Crown (Philippines) Resorts Corporation ("MCP") incurred approximately US$11.1 million of operating expenses in the six months ended 30 June 2013 in relation to the Philippines Project, which primarily relate to pre-opening costs as well as other fees and costs associated with the corporate reorganization of MCP, and recorded a net loss of approximately US$29.3 million on the Philippines Project as a result of operating and foreign exchange losses, as well as approximately US$14.0 million of capital lease charges relating to building lease payments incurred during the six months ended 30 June 2013.

(2) Performance of EGT during the review period

According to the financial statements of EGT (prepared in accordance with U.S. GAAP), consolidated revenue for the six months ended 30 June 2013 increased to approximately US$12.5 million as compared to approximately US$11.7 million in the six months ended 30 June 2012. The increase was attributed to incremental revenue from the Dreamworld Pailin casino, which opened in May 2012, partially offset by lower slot operations revenue. Revenue from EGT's gaming participation operations for the six months ended 30 June 2013 was US$11.0 million as compared to US$10.2 million for the six months ended 30 June 2012. For the six months ended 30 June 2013, EGT reported a net loss of US$2.8 million compared to US$1.5 million net profit for the same period in 2012. The net loss in the current interim period included a net loss from discontinued operations of US$2.1 million related to the sales of EGT's non-gaming products operations in March 2013. The net loss from discontinued operations included restructuring costs, i.e. severance, relocation charges and contract termination fee, and certain non-cash charges for the loss on disposal of assets primarily related to non-gaming equipment and inventory.

Further to the opening of the Company's first casino, Dreamworld Pailin, in May 2012, the Company held the grand opening for another project, Dreamworld Poipet, a slot hall in the established gaming market of Poipet at the Cambodia-Thailand border, in May 2013.

As of 30 June 2013, EGT had an operating machine base of 1,632 machines. Out of the total units, 570 were installed in the Philippines and 1,062 were installed in Cambodia.

LOSS ON DEEMED DISPOSAL OF INTEREST IN AN ASSOCIATE

During the period ended 30 June 2013, the Group's ownership interest in its associate, Melco Crown Entertainment decreased from 33.73% to 33.65% (six months ended 30 June 2012: decrease from 33.65% to 33.57%), 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$32.3 million (six months ended 30 June 2012: HK$11.7 million) which represents the decrease in net assets attributable to the Group during the periods ended 30 June 2013 and 2012.

UNALLOCATED CORPORATE INCOME

For the six months ended 30 June 2013, the unallocated corporate income of approximately HK$22.7 million (six months ended 30 June 2012: HK$12.5 million) represented a recovery of impaired loan to MCR amounted to CAD$3.0 million (equivalent to approximately HK$22.7 million) during the review period.

For the six months ended 30 June 2012, it represented the net amortised financial guarantee income in relation to the joint and several financial guarantee provided by the Company and Crown Asia Investments Pty. Ltd. for the exchangeable bonds issued by Melco Crown SPV Limited. The exchangeable bonds were fully redeemed in September 2012.

CENTRAL ADMINISTRATIVE COSTS AND OTHER UNALLOCATED CORPORATE EXPENSES

Unallocated corporate expenses rose by 17% from approximately HK$75.6 million for the six months ended 30 June 2012 to HK$88.6 million for the same period in 2013. The increase was primarily due to the increase in share options and share award expenses during the period.

FINANCE COSTS

Finance costs decreased by 74% from approximately HK$65.9 million for the six months ended 30 June 2012 to approximately HK$17.0 million for the six months ended 30 June 2013. It represented the net off effect of the decrease in imputed interest expenses of HK$62.7 million on the convertible loan note which were fully converted to the Company's shares in September 2012, and the increase in interest expenses of HK$10.4 million on the HK$760.0 million guaranteed bonds newly raised in February 2013.

INCOME TAX (EXPENSE) CREDIT

During the period under review, tax expenses including deferred taxation expense, which represents the temporary differences arising from the fair value gain of overseas investment properties, and the PRC enterprise income tax expense.

For the six months ended 30 June 2012, the deferred taxation credit was mainly derived from the reversal of temporary differences arising from initial recognition of convertible loan note equity component. Upon the conversion of convertible loan note in December 2012, the related deferred taxation credit was reversed accordingly.

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 and other borrowings.

As of 30 June 2013, total assets of the Group were HK$11,884.1 million (31 December 2012: HK$9,925.3 million) which were financed by shareholders' funds of HK$10,565.4 million (31 December 2012: HK$9,374.4 million), deficit balance of non-controlling interests of HK$74.6 million (31 December 2012: HK$76.5 million), current liabilities of HK$185.2 million (31 December 2012: HK$161.4 million), and non-current liabilities of HK$1,208.1 million (31 December 2012: HK$466.0 million). The Group's current ratio, expressed as current assets over current liabilities, was maintained at a satisfactory level of 9.2 (31 December 2012: 5.1).

During the six months ended 30 June 2013, the Group recorded a net cash inflow of HK$7.9 million. As of 30 June 2013, cash and cash equivalents of the Group totalled HK$163.8 million (31 December 2012: HK$155.9 million). The gearing ratio, expressed as a percentage of total borrowings over shareholders' funds, was at a satisfactory level of 12% as of 30 June 2013 (31 December 2012: 5%). In illustrating the Group's adoption of a prudent treasury policy, 97% 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, U.S. dollars and Renminbi to maintain stable exposure to foreign exchange risks. Also, as at 30 June 2013, the Group's bank deposits of approximately HK$0.9 million (31 December 2012: HK$0.9 million) were pledged as security for obtaining utilities for certain subsidiaries of the Group.

As at 30 June 2013, the guaranteed bonds issued by the Group amounted to HK$760.0 million, which are interest bearing of 4.15% per annum and mature on 5 March 2018. The bonds are guaranteed by the Company. As at 30 June 2013, the Group's total available bank loan facilities from various banks amounted to HK$461.7 million (31 December 2012: HK$491.2 million), of which HK$46.7 million (31 December 2012: HK$76.2 million) was secured by pledging HK$117.0 million of the Group's investment properties. As at 30 June 2013, the Group utilised HK$413.0 million and HK$46.7 million of unsecured and secured bank loan facilities respectively (31 December 2012: unsecured HK$413.0 million; secured HK$76.2 million). Details of bank and other borrowings are given in Note 13 to the condensed consolidated financial statements.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

Other than those mentioned in Note 14 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 and associates' employees was 12,226 as of 30 June 2013. Excluding the employees from associates such as Melco Crown Entertainment, MCR, EGT and ChariLot Company Limited, the total number of the Group's employees becomes 295 as of 30 June 2013 (31 December 2012: 314 employees). Among the 295 employees, 232 are located in Hong Kong and the rest are based in Macau and the PRC.

The related staff costs for the six months ended 30 June 2013, including directors' emoluments, share option expenses and share award expenses, amounted to HK$103.1 million (six months ended 30 June 2012: HK$84.4 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

No contingent liability was noted for the Group as at 30 June 2013.

FOREIGN EXCHANGE EXPOSURE

It is the Group's policy that its operating entities operate in their corresponding local currencies to minimize currency risks. The Group's principal businesses are conducted and recorded in Hong Kong dollars, Macau Pataca and Renminbi. 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, provided the projects are deemed to be appropriate.

DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: 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 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 (the “Stock Exchange”), 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 HKSE Code during the period from 1 January to 30 June 2013, except for the deviation of code provision A.2.1 of the HKSE Code. Pursuant to this code provision, 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.

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 2013.

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 2013.

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

During the six months ended 30 June 2013, 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") has, pursuant to the terms of the rules and trust deed of the Share Purchase Scheme, purchased on the Stock Exchange a total of 250,000 shares of the Company. The total amount paid to acquire these shares during the period was approximately HK$3,278,000.

INDEPENDENT REVIEW

The interim results for the six months ended 30 June 2013 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 2013