Melco International Development Limited

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board of directors (the "Board") of Melco International Development Limited (the "Company" or "Melco International") herein announces the unaudited condensed consolidated financial information of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2022 as set out below.

FINANCIAL HIGHLIGHTS

1. Net revenues were HK$6.03 billion for the six months ended 30 June 2022, which represented a decrease of HK$2.40 billion or 28.5%, compared to HK$8.43 billion for the six months ended 30 June 2021. The decrease in net revenues was primarily attributable to heightened border restrictions in Macau and mainland China related to COVID-19, which led to softer performance in our casino and hospitality operations in the six months ended 30 June 2022.

2. The Group generated Adjusted EBITDA of HK$168.2 million for the six months ended 30 June 2022, compared to Adjusted EBITDA of HK$732.5 million for the six months ended 30 June 2021.

3. Loss after tax was HK$4.58 billion for the six months ended 30 June 2022, compared to loss after tax of HK$3.75 billion for the six months ended 30 June 2021.

4. Basic loss per share attributable to owners of the Company was HK$1.58 for the six months ended 30 June 2022, compared to basic loss per share attributable to owners of the Company of HK$1.09 for the six months ended 30 June 2021.

5. Net asset value per share attributable to owners of the Company was HK$2.8 as of 30 June 2022, compared to HK$4.5 as of 31 December 2021.

6. The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Six months ended 30 June	
		2022	2021
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
NET REVENUES	4	**6,025,107**	8,425,275
OPERATING COSTS AND EXPENSES			
Gaming tax and license fees		**(2,270,850)**	(3,622,111)
Employee benefits expenses		**(2,606,733)**	(3,033,971)
Depreciation and amortization	5	**(2,594,941)**	(2,702,798)
Other operating expenses, gains and losses, net		**(1,576,705)**	(1,641,147)
Total operating costs and expenses, net		**(9,049,229)**	(11,000,027)
OPERATING LOSS		**(3,024,122)**	(2,574,752)
NON-OPERATING INCOME/(EXPENSES)			
Interest income		**26,850**	29,333
Interest expenses, net of amounts capitalized		**(1,510,835)**	(1,477,771)
Losses on modification or extinguishment of debts, net		**–**	(102,856)
Other financing costs		**(30,720)**	(50,757)
Foreign exchange (losses)/gains, net		**(27,315)**	2,987
Other income, net		**13,129**	442,926
Share of losses of a joint venture		**(459)**	–
Share of losses of associates	11	**(2,470)**	–
Total non-operating expenses, net		**(1,531,820)**	(1,156,138)
LOSS BEFORE TAX	5	**(4,555,942)**	(3,730,890)
Income tax expense	6	**(23,434)**	(23,875)
LOSS FOR THE PERIOD		**(4,579,376)**	(3,754,765)

	Note	Six months ended 30 June **2022** *HK$'000* **(Unaudited)**	2021 *HK$'000* (Unaudited)
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(607,007)**	(179,736)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		**(607,007)**	(179,736)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(5,186,383)**	(3,934,501)
Loss for the period attributable to:			
Owners of the Company		**(2,374,583)**	(1,647,621)
Non-controlling interests		**(2,204,793)**	(2,107,144)
		(4,579,376)	(3,754,765)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(2,673,781)**	(1,733,005)
Non-controlling interests		**(2,512,602)**	(2,201,496)
		(5,186,383)	(3,934,501)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic and diluted		**HK$(1.58)**	HK$(1.09)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Notes	**30 June 2022** ***HK$'000*** **(Unaudited)**	31 December 2021 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**47,234,448**	46,988,366
Right-of-use assets		**6,804,582**	7,069,510
Gaming license and subconcession		**58,604**	546,877
Goodwill		**5,299,451**	5,299,451
Trademarks		**16,992,458**	16,992,458
Other intangible assets		**338,653**	374,740
Investment in a joint venture		**173,322**	181,674
Investments in associates	11	**48,253**	29,278
Prepayments, deposits and other receivables		**1,418,160**	1,394,832
Other financial assets		**20,759**	20,320
Restricted cash		**1,773,854**	50,693
Deferred tax assets		**18,064**	31,423
Total non-current assets		**80,180,608**	78,979,622
CURRENT ASSETS			
Inventories		**221,958**	230,824
Trade receivables	9	**389,304**	425,098
Prepayments, deposits and other receivables		**823,663**	931,860
Tax recoverable		**198**	758
Restricted cash		**3,198**	3,170
Cash and bank balances		**13,164,986**	13,452,432
		14,603,307	15,044,142
Assets classified as held for sale	10	**204,099**	169,513
Total current assets		**14,807,406**	15,213,655

	Notes	30 June 2022 HK$'000 (Unaudited)	31 December 2021 HK$'000 (Audited)
CURRENT LIABILITIES			
Trade payables	12	**46,280**	46,779
Other payables, accruals and deposits received	13	**6,220,133**	7,345,052
Tax payable		**95,534**	105,123
Interest-bearing borrowings	14	**8,224,926**	4,712,947
Lease liabilities		**458,992**	509,977
		15,045,865	12,719,878
Liabilities directly associated with assets classified as held for sale	10	**9,302**	11,674
Total current liabilities		**15,055,167**	12,731,552
NET CURRENT (LIABILITIES)/ASSETS		**(247,761)**	2,482,103
TOTAL ASSETS LESS CURRENT LIABILITIES		**79,932,847**	81,461,725
NON-CURRENT LIABILITIES			
Other payables, accruals and deposits received	13	**253,161**	239,858
Interest-bearing borrowings	14	**56,024,711**	53,163,654
Lease liabilities		**2,927,150**	3,201,416
Deferred tax liabilities		**2,387,686**	2,388,789
Total non-current liabilities		**61,592,708**	58,993,717
Net assets		**18,340,139**	22,468,008
EQUITY			
Share capital		**5,701,853**	5,696,445
(Deficit)/Reserves		**(1,436,837)**	1,166,222
Equity attributable to owners of the Company		**4,265,016**	6,862,667
Non-controlling interests		**14,075,123**	15,605,341
Total equity		**18,340,139**	22,468,008

NOTES

1. ORGANIZATION AND BUSINESS

(a) Corporate and group information

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

The Company together with its subsidiaries (collectively referred to as the "Group") is a developer, owner and operator of integrated resort facilities in Asia and Europe. The Group operates its gaming business primarily through Melco Resorts & Entertainment Limited ("Melco Resorts"), a subsidiary of the Company, with its American depositary shares ("ADSs") listed on the Nasdaq Global Select Market in the United States of America (the "U.S."). Melco Resorts currently operates Altira Macau, an integrated resort located at Taipa, the Macau Special Administrative Region of the People's Republic of China ("Macau"), City of Dreams, an integrated resort located at Cotai, Macau and Grand Dragon Casino, a casino located at Taipa, Macau. Melco Resorts' business also includes the Mocha Clubs, which comprise the non-casino based operations of electronic gaming machines in Macau. Melco Resorts, through its subsidiaries, including Studio City International Holdings Limited ("SCIHL"), which is majority-owned by Melco Resorts and with its ADSs listed on the New York Stock Exchange in the U.S., also operates Studio City, a cinematically-themed integrated resort in Cotai, Macau. In the Philippines, a majority-owned subsidiary of Melco Resorts operates and manages City of Dreams Manila, an integrated resort in the Entertainment City complex in Manila. In Europe, Melco Resorts, through its majority-owned subsidiaries, ICR Cyprus Holdings Limited and its subsidiaries (collectively referred to as "ICR Group"), is currently developing City of Dreams Mediterranean, an integrated resort in Limassol, in the Republic of Cyprus ("Cyprus"). ICR Group is currently operating a temporary casino in Limassol and is licensed to operate four satellite casinos ("Cyprus Operations") in Cyprus. Upon the opening of City of Dreams Mediterranean, the ICR Group will continue to operate the satellite casinos while operation of the temporary casino will cease.

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

(b) Recent developments related to COVID-19 and other business operations

The disruptions to the Group's business caused by the coronavirus (COVID-19) outbreak continue to have a material effect on its financial condition and operations and future prospects into the third quarter of 2022.

In Macau, the Group's operations remain significantly impacted by travel restrictions and quarantine requirements. A stream of COVID-19 outbreaks in the People's Republic of China (the "PRC") in the first half of 2022 led to a tightening of border controls for entry from Guangdong province. In June 2022, the resurgence of COVID-19 cases in Macau led to citywide mandatory testing and strict travel restrictions and requirements implemented to enter and exit Macau. On 23 June 2022, the Macau government issued a mandatory closure order for entertainment and leisure venues, with casinos and gaming areas excluded. During the period from 11 July 2022 to 22 July 2022, such mandatory closure order was further extended to almost all entities including gaming entertainment, and the Group's casinos in Macau were closed for 12 days and resumed operations on 23 July 2022. From 2 August 2022, all closure orders were lifted but health-related precautionary measures remain in place. The validity of nucleic acid tests to enter Macau vary from time to time and is currently set at 48 hours for entry from Zhuhai, and non-Macau resident individuals who are not residents of Taiwan, Hong Kong, or the PRC continue to be unable to enter Macau, except if they have been approved for an exemption.

In the Philippines, during the period from 1 January 2022 to 28 February 2022, City of Dreams Manila's operations have been impacted by the on and off travel restrictions and were operated at limited capacity under different levels of community quarantine measures in Metro Manila as imposed by the Philippine government in response to COVID-19 cases. The Philippine government re-opened the borders to fully vaccinated international tourists with a negative RT-PCR test taken within 48 hours of departure of their country of origin effective on 10 February 2022 and lowered COVID-19 restrictions to Alert Level 1 starting from 1 March 2022 which allowed casinos to operate at 100% capacity, subject to certain guidelines. As of 30 May 2022, restrictions for inbound travellers into the Philippines have been eased and negative RT-PCR test results are no longer required for individuals who are fully vaccinated.

In Cyprus, with a surge in COVID-19 cases, authorities stepped up COVID-19 restrictions from the end of December 2021 by reducing the capacity at certain venues and increasing restrictions for unvaccinated people. However, the casinos of the Cyprus Operations remained open during the period and such restrictions were eased from 21 February 2022. Travel restrictions into Cyprus were further eased on 18 April 2022 and as of 1 June 2022, passengers travelling to Cyprus are not required to present any vaccination or recovery certificates nor negative COVID-19 test results.

Although travel restrictions have eased in the Philippines and Cyprus, COVID-19 cases have been increasing in recent weeks, and the respective governments are closely observing the situation.

The construction of Studio City Phase 2 continues to progress. As announced by SCIHL in May 2022, the Macau government granted a further extension of the development period under the Studio City land concession to 30 June 2023.

The City of Dreams Mediterranean project in Cyprus has experienced some construction delays as the main contractor for the construction struggled with challenges in resourcing the project and maintaining progress to meet pre-agreed dates. Opening is now anticipated to be early in the second quarter of 2023, subject to regulatory approvals and construction progress.

The pace of recovery from COVID-19-related disruptions continues to depend on future events, including duration of travel and visa restrictions, the pace of vaccination progress, development of new medicines for COVID-19 as well as customer sentiment and consumer behavior related to discretionary spending and travel, all of which remain highly uncertain.

Also, there have been concerns over the military conflict between Russia and Ukraine which has led to sanctions and export controls imposed by the U.S., the European Union, the United Kingdom and other countries targeting Russia, its financial system and major financial institutions and certain Russian entities and persons. Such military conflict and the growing lists of sanctions and measures are extensive and rapidly changing. These could be difficult to comply with and could also significantly increase the Group's business and compliance costs as well as having a negative impact on the Group's business and ability to accept certain customers from Russia, and may materially and adversely affect the Group's business in Cyprus.

The Group is currently unable to reasonably estimate the financial impact to its future results of operations, cash flows and financial condition from these disruptions.

As at 30 June 2022, the Group had net current liabilities of Hong Kong dollars ("HK$") 247,761,000 (31 December 2021: net current assets of HK$2,482,103,000). However, as at 30 June 2022, the Group had total cash and bank balances of HK$13,164,986,000 and available unused borrowing capacity of HK$9,018,780,000, subject to the satisfaction of certain conditions precedent.

The Group has taken various mitigating measures to manage through the current COVID-19 outbreak challenges, such as implementing cost reduction programs to minimize cash outflows for non-essential items, rationalizing the Group's capital expenditure programs with deferrals and reductions and raising additional capital through debt and equity offerings.

The Group believes it will be able to support continuing operations and capital expenditures for at least 12 months after the reporting period end date of this unaudited condensed consolidated interim financial information. Accordingly, the unaudited condensed consolidated interim financial information has been prepared on a going concern basis.

(c) **Macau gaming subconcession contract**

On 8 September 2006, Melco Resorts (Macau) Limited ("Melco Resorts Macau") entered into a subconcession contract to operate its gaming business in Macau which expired on 26 June 2022. A concession or subconcession may be extended or renewed by order of the Macau Chief Executive, one or more times, up to a maximum of five years. On that basis, the subconcession contract was extended to 31 December 2022 pursuant to an amendment agreement entered into by Melco Resorts Macau on 23 June 2022 (the "Extension Agreement") which coincides with the extended expiration date of all the other concessions and subconcessions in Macau.

Melco Resorts Macau paid a premium of Macau Patacas ("MOP") 47,000,000 (equivalent to approximately HK$45,631,000) to the Macau government in June 2022 for the extension. Melco Resorts Macau will also submit a bank guarantee in an amount of not less than MOP820,000,000 (equivalent to approximately HK$796,117,000) to the Macau government on or before 22 September 2022 to guarantee the satisfaction of any labour liabilities upon expiry of the subconcession. The Macau government may require an increase in the amount of such guarantee, depending on the number of employees employed by Melco Resorts Macau. Under the Extension Agreement and Macau gaming law, Melco Resorts Macau also acknowledges that the gaming areas, gaming support areas and gaming equipment of Altira Casino, City of Dreams Casino and Studio City Casino, as agreed with the Macau government, will revert to Macau, without compensation and free and clear from any charges or encumbrances, at the expiration of the subconcession. In addition, on 23 June 2022, Melco Resorts Macau and the Company's subsidiaries which are holding the land lease rights for the properties on which Altira Casino, City of Dreams Casino and Studio City Casino (the "Land Concessionaires") are located, respectively, executed an undertaking in favour of the Macau government pursuant to which Melco Resorts Macau and the respective Land Concessionaire committed to sign the documents required by the Macau government to effect the reversion of the gaming areas, gaming support areas and gaming equipment of Altira Casino, City of Dreams Casino and Studio City Casino to Macau in accordance with the Macau gaming law. The final terms of such reversion are subject to the execution of a reversion deed or similar instrument (in a form to be finalized with the Macau government in due course) in favour of the Macau government.

Melco Resorts Macau and Studio City Entertainment Limited ("Studio City Entertainment"), a subsidiary of the Company, entered into a services and right to use agreement dated 11 May 2007, as amended on 15 June 2012, together with related agreements (the "Services and Right to Use Arrangements"), under which Melco Resorts Macau agreed to operate Studio City Casino since Studio City Entertainment does not hold a gaming concession in Macau. Under such arrangements, Melco Resorts Macau deducts gaming taxes and the costs incurred in connection with its operations from Studio City Casino's gross gaming revenues and Studio City Entertainment receives the residual amount. These arrangements were amended on 23 June 2022 ("Studio City Casino Agreement") to align such agreement with the enacted amendments to the Macau gaming law and the residual amount which Studio City Entertainment receives as revenue, previously captioned as revenue from the provision of gaming related services, is now captioned as revenue from casino contract. In addition, certain conditions imposed by the Macau government relating to the previously existing agreement, including in relation to shareholding requirements for certain direct and indirect shareholders of Studio City Entertainment, are no longer applicable.

Under the indentures of the Group's senior notes, holders of the senior notes can require the respective issuer to repurchase all or any part of the senior notes at par, plus any accrued and unpaid interest (the "Special Put Option") (i) upon the occurrence of any event after which none of Melco Resorts Finance Limited, a subsidiary of the Company, or any of its subsidiaries has such licenses, concessions, subconcessions or other permits or authorizations as are necessary to own or manage casino or gaming areas or operate casino games of fortune and chance in Macau in substantially the same manner and scope as such relevant issuers and its subsidiaries were entitled, permitted or authorized to as of the issue date of the respective senior notes or, in the case of Studio City Finance Limited ("Studio City Finance") and Studio City Company Limited ("Studio City Company"), subsidiaries of the Company, in which Melco Resorts Macau's subconcession or other permits or authorizations are necessary for the operation of the Studio City Casino in substantially the same manner and scope as operations were conducted at the issue date of the respective senior notes issued by Studio City Finance and Studio City Company cease to be in full force and effect, for a period of ten consecutive days or more, and such event has a material adverse effect on the financial condition, business, properties or results of operations of the respective issuers and its subsidiaries, taken as a whole; or (ii) if the termination, rescission, revocation or modification of Melco Resorts Macau's subconcession has had a material adverse effect on the financial condition, business, properties, or results of operations of the respective issuer and its subsidiaries.

In addition, in relation to the Group's various credit facilities, any termination, revocation, rescission or modification of Melco Resorts Macau's subconcession which has had a material adverse effect on the financial condition, business, properties, or results of operations of the Group, taken as a whole, would constitute a mandatory prepayment event, which would result in (i) the cancellation of available commitments; and (ii) subject to each lender's election, such electing lender's share of all outstanding amounts under such facilities becoming immediately due and payable.

The Group believes Melco Resorts Macau is in a position to satisfy the requirements related to the award of a new concession established by the Macau government and, the Studio City Casino Agreement will be extended. Accordingly, the unaudited condensed consolidated interim financial information has been prepared on a going concern basis.

2.1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information has been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value. Assets classified as held for sale are stated at the lower of their carrying amounts and fair values less costs to sell.

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

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2022 does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2021.

The financial information relating to the year ended 31 December 2021 that is included in this unaudited condensed consolidated interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as set out below.

The Company has delivered the consolidated financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on the consolidated financial statements for the year ended 31 December 2021. The auditor's report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

Certain comparative figures have been reclassified to conform to the current period's presentation as the Group considers the new presentation is more relevant and appropriate to the unaudited condensed consolidated interim financial information.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2022 are consistent with those of the Group as set out in the Group's audited consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's unaudited condensed consolidated interim financial information.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*

The adoption of the amendments to HKFRSs had no material impact on the unaudited condensed consolidated interim financial information.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not early adopted any new or amended HKFRSs that have been issued but are not yet effective in the unaudited condensed consolidated interim financial information for the six months ended 30 June 2022.

3. SEGMENT INFORMATION

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

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

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

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

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

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

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

Segment net revenues and results

Six months ended 30 June 2022 (Unaudited)

	Casino and Hospitality *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment net revenues			
Sales to external customers *(note 4)*	**6,025,107**	**–**	**6,025,107**
Intersegment sales	**4,631**	**–**	**4,631**
	6,029,738	**–**	**6,029,738**
Elimination of intersegment sales			**(4,631)**
Total net revenues			**6,025,107**
Adjusted EBITDA	**170,119**	**(1,966)**	**168,153**
Operating costs and expenses			
Depreciation and amortization			**(2,594,941)**
Share-based compensation expenses			**(235,201)**
Pre-opening costs			**(43,579)**
Property charges and other			**(156,265)**
Payments to the Philippine Parties			**(144,632)**
Corporate expenses			**(17,657)**
Operating loss			**(3,024,122)**
Non-operating income/(expenses)			
Interest income			**26,850**
Interest expenses, net of amounts capitalized			**(1,510,835)**
Other financing costs			**(30,720)**
Foreign exchange losses, net			**(27,315)**
Other income, net			**13,129**
Share of losses of a joint venture			**(459)**
Share of losses of associates			**(2,470)**
Total non-operating expenses, net			**(1,531,820)**
Loss before tax			**(4,555,942)**
Income tax expense			**(23,434)**
LOSS FOR THE PERIOD			**(4,579,376)**

Six months ended 30 June 2021 (Unaudited)

	Casino and Hospitality *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment net revenues			
Sales to external customers *(note 4)*	8,422,684	2,591	8,425,275
Intersegment sales	5,723	–	5,723
	8,428,407	2,591	8,430,998
Elimination of intersegment sales			(5,723)
Total net revenues			8,425,275
Adjusted EBITDA	736,182	(3,657)	732,525
Operating costs and expenses			
Depreciation and amortization			(2,702,798)
Share-based compensation expenses			(221,240)
Pre-opening costs			(16,456)
Development costs			(62,190)
Property charges and other			(156,907)
Payments to the Philippine Parties			(132,681)
Corporate expenses			(15,005)
Operating loss			(2,574,752)
Non-operating income/(expenses)			
Interest income			29,333
Interest expenses, net of amounts capitalized			(1,477,771)
Losses on modification or extinguishment of debts, net			(102,856)
Other financing costs			(50,757)
Foreign exchange gains, net			2,987
Other income, net			442,926
Total non-operating expenses, net			(1,156,138)
Loss before tax			(3,730,890)
Income tax expense			(23,875)
LOSS FOR THE PERIOD			(3,754,765)

30 June 2022 (Unaudited)

	Casino and Hospitality *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment assets	**92,621,792**	**356,477**	**92,978,269**
Corporate and other unallocated assets			**2,009,745**
Total assets			**94,988,014**
Segment liabilities	**69,835,643**	**55,683**	**69,891,326**
Corporate and other unallocated liabilities			**6,756,549**
Total liabilities			**76,647,875**

31 December 2021 (Audited)

	Casino and Hospitality *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment assets	93,240,148	698,917	93,939,065
Corporate and other unallocated assets			254,212
Total assets			94,193,277
Segment liabilities	64,969,743	57,642	65,027,385
Corporate and other unallocated liabilities			6,697,884
Total liabilities			71,725,269

Geographical information

The Group's operations are mainly located in Macau, the Philippines, Cyprus, Japan and Hong Kong. Information about the Group's net revenues is presented based on the locations of the operations of the relevant group entities. Information about the Group's non-current segment assets is presented based on the locations of the assets and for investments in a joint venture and associates, by location of their head offices.

Net revenues from external customers (Unaudited)

	Six months ended 30 June					
	2022			2021		
	Casino and Hospitality	**Others**	**Total**	Casino and Hospitality	Others	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Macau	**4,147,205**	**–**	**4,147,205**	7,296,938	–	7,296,938
The Philippines	**1,554,431**	**–**	**1,554,431**	1,026,762	–	1,026,762
Cyprus	**295,864**	**–**	**295,864**	77,707	–	77,707
Japan	**27,607**	**–**	**27,607**	21,277	–	21,277
Hong Kong	**–**	**–**	**–**	–	2,591	2,591
Total	**6,025,107**	**–**	**6,025,107**	8,422,684	2,591	8,425,275

Non-current segment assets

	30 June 2022	31 December 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Macau	**71,107,635**	71,083,086
Cyprus	**3,400,548**	3,136,894
The Philippines	**2,496,058**	3,157,927
Hong Kong	**1,112,608**	1,245,711
The PRC	**173,325**	181,677
Others	**48,511**	39,431
Total	**78,338,685**	78,844,726

4. NET REVENUES

Six months ended 30 June 2022 (Unaudited)

Segments	**Casino and Hospitality**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Casino revenue	**4,904,882**	**–**	**4,904,882**
Entertainment and resort facilities:			
Rooms	**495,383**	**–**	**495,383**
Catering service income	**346,456**	**–**	**346,456**
Entertainment, retail and other	**278,386**	**–**	**278,386**
Sales to external customers *(note 3)*	**6,025,107**	**–**	**6,025,107**

Six months ended 30 June 2021 (Unaudited)

Segments	Casino and Hospitality	Others	Total
	HK$'000	*HK$'000*	*HK$'000*
Casino revenue	7,082,716	–	7,082,716
Entertainment and resort facilities:			
Rooms	616,405	–	616,405
Catering service income	399,727	–	399,727
Entertainment, retail and other	323,836	–	323,836
Property rental income	–	2,591	2,591
Sales to external customers *(note 3)*	8,422,684	2,591	8,425,275

For the six months ended 30 June 2022, entertainment, retail and other include rental income of HK$181,715,000 (six months ended 30 June 2021: HK$215,970,000).

For the six months ended 30 June 2022, the revenue from contracts with customers was HK$5,843,392,000 (six months ended 30 June 2021: HK$8,206,714,000).

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation and amortization:		
Depreciation of property, plant and equipment	**1,820,182**	1,870,550
Amortization of gaming license and subconcession	**533,904**	544,502
Depreciation of right-of-use assets	**211,327**	257,986
Less: capitalized in construction in progress	**(14,311)**	(14,390)
Amortization of other intangible assets	**43,839**	44,150
	2,594,941	2,702,798
Included in other operating expenses, gains and losses, net:		
Repairs and maintenance	**291,098**	272,830
Utilities and fuel	**216,878**	218,298
Costs of inventories	**146,097**	192,303
Payments to the Philippine Parties	**144,632**	132,681
Other gaming operations expenses	**131,687**	161,603
Advertising and promotions	**126,908**	132,668
Insurance	**86,693**	67,895
Transportation expenses	**74,562**	72,762
Other taxes and licenses	**71,526**	38,383
Legal and professional fees	**63,866**	67,959
Rental and other expenses	**27,350**	20,084
Impairment losses on property, plant and equipment *(note 10)*	**28,213**	9,196
Impairment losses on assets classified as held for sale *(note 10)*	**42,545**	–
Loss on disposal of property, plant and equipment	**2,886**	7,085
(Reversal of allowances)/allowances for credit losses, net	**(21,048)**	118,014
Bad debt recoveries	**(856)**	(15,567)
Gain on disposal of other assets	**–**	(5,952)

6. INCOME TAX EXPENSE

An analysis of the income tax expense for the period is as follows:

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax:		
Macau Complementary Tax	**27**	–
Lump sum in lieu of Macau Complementary Tax on dividends	**9,175**	9,175
Philippine Corporate Income Tax	**944**	–
Cyprus Corporate Income Tax	**–**	1,452
Other jurisdictions	**180**	1,063
Sub-total	**10,326**	11,690
(Over)/under provision in prior periods:		
Macau Complementary Tax	**(1,630)**	(3,391)
Philippine Corporate Income Tax	**980**	(1,648)
Other jurisdictions	**19**	353
Sub-total	**(631)**	(4,686)
Deferred tax	**13,739**	16,871
Total	**23,434**	23,875

Pursuant to the approval notice issued by the Macau government in September 2016, Melco Resorts Macau, the holder of the gaming subconcession in Macau, was granted an extension of the Macau Complementary Tax exemption on profits generated from gaming operations for an additional five years from 2017 to 2021. One of the Company's subsidiaries in Macau was also exempted from Macau Complementary Tax on profits generated from income received from Melco Resorts Macau for an additional five years from 2017 to 2021, to the extent that such income was derived from Studio City gaming operations and had been subject to gaming tax pursuant to a notice issued by the Macau government in January 2017. The exemption coincided with Melco Resorts Macau's exemption from Macau Complementary Tax. Pursuant to Dispatch of the Macau Chief Executive dated 17 February 2022, Melco Resorts Macau was granted an extension of the Macau Complementary Tax exemption on profits generated from gaming revenues for the period from 1 January 2022 to 26 June 2022. Melco Resorts Macau and such subsidiary has applied for the extension of the Macau Complementary Tax exemption to 31 December 2022 and the application is currently pending approval by the Macau government. The non-gaming profits and dividend distributions of such subsidiary to its shareholders continue to be subject to Macau Complementary Tax. Melco Resorts Macau's non-gaming profits also remain subject to Macau Complementary Tax and Melco Resorts Macau casino revenues remain subject to the Macau special gaming tax and other levies in accordance with its gaming subconcession agreement.

In August 2017, Melco Resorts Macau received an extension of the agreement with the Macau government for an additional five years applicable to tax years from 2017 through 2021, in which the extension agreement provided for an annual payment of MOP18,900,000 (equivalent to approximately HK$18,350,000) as payments in lieu of Macau Complementary Tax otherwise due by the shareholders of Melco Resorts Macau on dividend distributions from gaming profits. Such annual payment was required regardless of whether dividends were actually distributed or whether Melco Resorts Macau had distributable profits in the relevant year. Melco Resorts Macau has applied for an extension of such arrangement for 2022 at an amount to be set by the Macau government.

Other than the aforesaid changes, for the six months ended 30 June 2022, there were no significant changes to the tax exposures as disclosed in the Group's audited consolidated financial statements for the year ended 31 December 2021.

7. DIVIDENDS

In line with the suspension of the Company's semi-annual dividend program as announced on 14 May 2020, the Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company for the purpose of basic loss per share	**(2,374,583)**	(1,647,621)
Effect of dilutive potential ordinary shares:		
Parent's proportionate adjustment in relation to participation interest in a subsidiary of the Company	**(3,251)**	–
Loss attributable to owners of the Company for the purpose of diluted loss per share	**(2,377,834)**	(1,647,621)

	Six months ended 30 June	
	2022	2021
	'000	*'000*
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,504,474**	1,514,766

The number of shares adopted in the calculation of the basic and diluted loss per share has been derived by excluding the shares of the Company held under trust arrangements for the Company's share award schemes.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding and assumed conversion of all dilutive potential ordinary shares, and the earnings as adjusted to reflect the dilution effect of the share options and awarded shares issued by the subsidiaries of the Company. For the six months ended 30 June 2021, no adjustment has been made to the basic loss per share amounts presented in respect of a dilution as the impact of the outstanding share options and unvested awarded shares had an anti-dilutive effect on the basic loss per share amounts presented.

9. TRADE RECEIVABLES

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

	30 June 2022	31 December 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**96,268**	167,894
More than 1 month but within 3 months	**28,754**	208,513
More than 3 months but within 6 months	**96,597**	222,600
More than 6 months	**1,682,033**	1,387,949
	1,903,652	1,986,956
Allowances for credit losses	**(1,514,348)**	(1,561,858)
	389,304	425,098

10. ASSETS CLASSIFIED AS HELD FOR SALE

In September 2021, the Group announced discontinuing its pursuit of a Yokohama integrated resort development in Japan. In December 2021, an external advisor was engaged to locate potential buyers and prepare marketing materials for the disposal of the Group's assets in Japan, including Kabushiki Kaisha Okushiga Kogen Resort and a parcel of freehold land (the "Japan Land") together with the accompanying building structures in Hakone, Japan (collectively be referred to as the "Japan Disposal Group"). The Japan Disposal Group was classified as assets held for sale under the Casino and Hospitality segment as at 31 December 2021 and 30 June 2022. As at 30 June 2022, the disposal was in progress. During the six months ended 30 June 2022, an impairment loss of HK$42,545,000 was recognized for a piece of the Japan Land due to a decrease in its estimated market value (six months ended 30 June 2021: nil) and its fair value less costs to sell was determined by the direct comparison approach which is considered as a level 3 fair value measurement. A key input under this approach is the sale rate, which was adjusted by certain factors including location and size of the comparable lands, of Japanese Yen 190,000 (equivalent to approximately HK$11,000) per square meter.

In June 2022, the Group signed a sale and purchase agreement and a letter of intent (a sale and purchase agreement was subsequently signed on 18 August 2022) with buyers to sell certain aircraft (the "Aircraft") with an aggregate selling price of United States dollars ("US$") 15,800,000 (equivalent to approximately HK$123,991,000). As at 30 June 2022, the disposal was in progress and was anticipated to be completed within one year. After consideration of the relevant facts, the Group concluded the Aircraft met the criteria for classification as assets held for sale which is reported under the Casino and Hospitality segment. During the six months ended 30 June 2022, an impairment loss of HK$28,213,000 was recognized for an aircraft due to a decrease in its market value determined based on the purchase price stated in the letter of intent which was considered as a level 2 input under the fair value hierarchy.

The major classes of assets of the Japan Disposal Group and the Aircraft classified as held for sale as at 30 June 2022 and 31 December 2021 were mainly comprised as set out below.

	30 June 2022	31 December 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Japan Disposal Group		
Property, plant and equipment	**89,502**	155,358
Right-of-use assets	**3,859**	4,924
Cash and bank balances	**3,092**	1,822
Others	**6,124**	7,409
	102,577	169,513
Aircraft	**101,522**	–
	204,099	169,513

Liabilities directly associated with the Japan Disposal Group of HK$9,302,000 as at 30 June 2022 (31 December 2021: HK$11,674,000) mainly represented trade and other payables, lease liabilities and other current liabilities. As at 30 June 2022, other comprehensive loss of HK$25,917,000 (31 December 2021: HK$6,804,000) relating to the Japan Disposal Group has been accumulated in equity.

11. INVESTMENTS IN ASSOCIATES

	30 June 2022	31 December 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Cost of investments in associates		
Listed in Canada	**339,601**	339,601
Unlisted in the U.S.	**52,517**	31,084
Net changes in investments in associates	**54,367**	54,355
Share of changes in net assets and exchange reserve	**7,616**	7,616
Share of post-acquisition results, net of dividends received	**(85,153)**	(82,683)
Impairment losses recognized	**(320,695)**	(320,695)
	48,253	29,278

As at 31 December 2021, investments in associates comprised investments in CleanRobotics Technologies, Inc and Mountain China Resorts (Holding) Limited. For the six months ended 30 June 2022, there were no significant changes in these investments as disclosed in the Group's audited consolidated financial statements for the year ended 31 December 2021.

On 17 February 2022, the Group acquired shares of preferred stock issued by Metalmark Innovations, PBC ("Metalmark"), a private company incorporated in the U.S. and principally engaged in providing air purification solutions, for an aggregate consideration of approximately US$2,750,000 (equivalent to approximately HK$21,433,000), representing 15.89% of the total voting power and ownership interest of Metalmark. The shares of preferred stock shall vote together with the shares of common stock of Metalmark on an as-converted basis and the Group is entitled to appoint one director to the board of Metalmark in accordance with the terms of the agreements. Metalmark became an associate of the Group on 17 February 2022. As at 30 June 2022, goodwill on acquisition of US$1,308,000 (equivalent to approximately HK$10,191,000) was included in the cost of investment.

12. TRADE PAYABLES

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

	30 June 2022	31 December 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**31,782**	36,096
More than 1 month but within 3 months	**7,850**	8,206
More than 3 months but within 6 months	**2,345**	1,288
More than 6 months	**4,303**	1,189
	46,280	46,779

13. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	30 June 2022	31 December 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current liabilities		
Advance customer deposits and ticket sales	**2,286,501**	2,415,338
Interest payable	**913,254**	829,123
Accrued operating expenses and other liabilities	**742,914**	793,492
Construction cost payable	**734,595**	1,001,198
Accrued employee benefits expenses	**408,133**	599,990
Outstanding gaming chips	**392,767**	562,637
Gaming tax and license fee payables	**297,358**	666,520
Payable for acquisition of property, plant and equipment	**266,614**	283,837
Loyalty program liabilities	**176,761**	189,891
Dividends payable	**1,236**	3,026
	6,220,133	7,345,052
Non-current liabilities		
Other liabilities	**192,801**	175,334
Accrued employee benefits expenses	**28,303**	39,146
Deposits received	**32,057**	25,378
	253,161	239,858

14. INTEREST-BEARING BORROWINGS

	30 June 2022	31 December 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Unsecured notes	**48,469,327**	48,151,277
Secured bank loans	**6,665,568**	6,608,324
Unsecured bank loans	**6,412,953**	3,117,000
Secured notes	**2,701,789**	–
	64,249,637	57,876,601
Non-current portion	**(56,024,711)**	(53,163,654)
Current portion	**8,224,926**	4,712,947
Analysed into borrowings repayable:		
Within one year or on demand	**8,234,889**	4,712,947
In the second year	**431,927**	429,228
In the third to fifth years, inclusive	**22,976,873**	20,318,490
After five years	**32,960,528**	32,754,645
	64,604,217	58,215,310
Less: deferred financing costs and original issue premiums	**(354,580)**	(338,709)
	64,249,637	57,876,601

The interest rate exposure of the Group's interest-bearing borrowings is as follows:

	30 June 2022	31 December 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Fixed-rate borrowings	**51,171,116**	48,151,277
Variable-rate borrowings	**13,078,521**	9,725,324
	64,249,637	57,876,601

The carrying amounts of the Group's interest-bearing borrowings are denominated in the following currencies:

	30 June 2022	31 December 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
US$	**61,130,637**	54,757,601
HK$	**3,119,000**	3,119,000
	64,249,637	57,876,601

On 16 February 2022, the Group issued US$350,000,000 (equivalent to approximately HK$2,733,499,000) in aggregate principal amount of 7.00% senior secured notes due 2027 at an issue price of 100% of the principal amount (the "2027 Senior Notes"). The net proceeds are being used to fund the capital expenditures of the remaining development project at Studio City and for general corporate purposes. All of the existing subsidiaries of Studio City Investments Limited (other than Studio City Company) and any other future restricted subsidiaries as defined in the 2027 Senior Notes are guarantors to guarantee the indebtedness under the 2027 Senior Notes.

In March 2022, the Group obtained confirmation from the facility agent that certain provisions contained in an US$1.0 billion 5-year secured credit facility agreement (the "2021 Credit Facilities") were waived subject to certain conditions, including placing a cash collateral of US$220,000,000 (equivalent to approximately HK$1,721,696,000). As of 8 April 2022, the cash collateral was fully placed in a pledged account.

On 28 March 2022, the Company entered into a facility agreement (the "Facility Agreement") with Melco Resorts pursuant to which a US$250,000,000 (equivalent to approximately HK$1,952,500,000) revolving loan facility was granted by Melco Resorts as lender to the Company as borrower for a period of 12 months after the first utilization date (the last day of such period being the "Final Repayment Date"). The Company may request utilization of all or part of the loan from the date of the Facility Agreement until one month prior to the Final Repayment Date for general corporate purposes of the Company and its subsidiaries (excluding Melco Resorts and its subsidiaries). Principal amounts outstanding under the Facility Agreement bear interest at an annual rate of 11%, with outstanding principal amounts and accrued interest payable by the Company on the Final Repayment Date. As at 30 June 2022, the Company drew down US$200,000,000 (equivalent to approximately HK$1,569,501,000) from the facility.

In May 2022, the maturity date of a secured credit facility of HK$2,000,000 was extended from 24 June 2022 to 31 December 2022.

During the six months ended 30 June 2022, the Group drew down US$420,000,000 (equivalent to approximately HK$3,283,393,000) from a HK$14.85 billion unsecured revolving credit facility (the "2020 Credit Facilities") to fund the 2022 Private Placements (as disclosed at note 16), the Group's working capital and for general corporate purposes.

As at 30 June 2022, an unsecured credit facility amounting to Philippine Peso ("PHP") 2,350,000,000 (equivalent to approximately HK$335,173,000) (31 December 2021: PHP2,350,000,000 (equivalent to approximately HK$360,941,000)) was available for future drawdown, subject to satisfaction of certain conditions precedent. As at 31 December 2021, the available drawdown currency under the credit facility is PHP and the credit facility availability period was up to 31 January 2022, and the maturity date of each individual drawdown is to be the earlier of: (i) the date which is 180 days from the date of drawdown, and (ii) the date which is 180 days after the end of the availability period. In January 2022, the credit facility availability period was extended to 1 May 2022, with other terms and conditions unchanged. In April 2022, the credit facility availability period was further extended to 31 January 2023, with other terms and conditions unchanged, except (1) the maturity date of each individual drawdown is to be the earlier of: (i) the date which is 360 days from the date of drawdown, and (ii) the date which is 360 days after the end of the availability period; and (2) the available drawdown currencies are PHP and US$.

As at 30 June 2022, borrowings in aggregate principal amount of HK$9,536,721,000 (31 December 2021: HK$6,747,691,000) are secured by certain assets of the Group.

Other than the aforesaid financing activities, there were no other significant changes to the interest-bearing borrowings as disclosed in the Group's audited consolidated financial statements for the year ended 31 December 2021.

As at 30 June 2022, the Group had total available and unutilized borrowing capacity of HK$9,018,780,000 (31 December 2021: HK$13,380,737,000), subject to satisfaction of certain conditions precedent.

At the end of the reporting period, the interest-bearing borrowings with maturities of more than 12 months from the reporting period end (the "Borrowings") were classified as non-current liabilities as there was no breach of covenants associated with the Borrowings at 30 June 2022 and up to the date of approval of these unaudited condensed consolidated financial information; and the Group believes that it is in a position to satisfy the requirements related to the award of a new gaming concession after the extension period and, the Studio City Casino Agreement will be extended.

15. LONG TERM INCENTIVE SCHEMES

(a) New share option scheme of the Company

The Company adopted a share option scheme on 30 May 2012 with certain rules of such scheme amended on 5 June 2020 (the "2012 Share Option Scheme"). The 2012 Share Option Scheme had a term of 10 years and expired on 29 May 2022. No share options can be granted after expiry but the outstanding options shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects, the provisions of the 2012 Share Option Scheme shall remain in full force and effect notwithstanding the expiry of the 2012 Share Option Scheme. Following the expiry of the 2012 Share Option Scheme, the Company adopted a new share option scheme (the "2022 Share Option Scheme") on 7 June 2022.

A summary of the principal terms of the 2022 Share Option Scheme was disclosed in the public circular of the Company dated 29 April 2022.

(b) The Company's option exchange program

On 6 April 2022, the Board announced an option exchange program, to provide the eligible participants an opportunity to exchange certain outstanding underwater share options for new share options and new awarded shares to be granted, subject to the eligible participants' consent (the "Melco Option Exchange Program"). The share options eligible for exchange under the Melco Option Exchange Program were those that were granted during the years from 2016 to 2021 under the 2012 Share Option Scheme, including those unvested, or vested but not exercised. The Melco Option Exchange Program became effective on 6 April 2022 (the "Melco Modification Date"), with a total of 33,590,000 eligible share options were accepted and surrendered by eligible participants (the "Melco Cancelled Share Options") and the Company granted an aggregate of 453,000 new share options under the 2012 Share Option Scheme (the "Melco Replacement Share Options") and 11,032,000 new awarded shares under the Share Purchase Scheme adopted by the Company on 18 October 2007 (the "Melco Replacement Share Awards"). The Melco Replacement Share Options and the Melco Replacement Share Awards have vesting periods of one to two years. A total incremental share-based compensation expense resulting from the Melco Option Exchange Program was approximately HK$326,000, representing the excess of (i) the fair value of the Melco Replacement Share Options measured using the Black-Scholes valuation model on the Melco Modification Date; and (ii) the fair value of the Melco Replacement Share Awards determined with reference to the market closing price of the Company's ordinary share on the Melco Modification Date, over the fair value of the Melco Cancelled Share Options immediately before the exchange. The incremental share-based compensation expenses are being recognized over the new vesting periods of the Melco Replacement Share Options and Melco Replacement Share Awards, and the unrecognized compensation costs remaining from the Melco Cancelled Share Options are being recognized over the remainder of their original vesting periods.

(c) Melco Resorts' option exchange program

On 28 March 2022, the compensation committee of Melco Resorts approved a proposal to allow for an option exchange program, designed to provide the eligible participants an opportunity to exchange certain outstanding underwater share options for new share options and new restricted shares to be granted, subject to the eligible participants' consent (the "Melco Resorts Option Exchange Program"). The share options eligible for exchange under the Melco Resorts Option Exchange Program were those that were granted during the years from 2012 to 2021 under the share incentive plan in 2011 (as amended) adopted by Melco Resorts, including those unvested, or vested but not exercised or the unexercised share options granted in 2012 but expired in March 2022. The Melco Resorts Option Exchange Program became unconditional and effective on 15 April 2022, the date Melco Resorts accepted the eligible participants' consent (the "Melco Resorts Modification Date"), with a total of 26,076,978 eligible share options were tendered and surrendered by eligible participants (the "Melco Resorts Cancelled Share Options") and Melco Resorts granted an aggregate of 2,486,241 new share options (the "Melco Resorts Replacement Share Options") and 5,912,547 new restricted shares (the "Melco Resorts Replacement Restricted Shares") under the share incentive plan in 2021 adopted by Melco Resorts. The Melco Resorts Replacement Share Options and Melco Resorts Replacement Restricted Shares have vesting periods of one to two years. A total incremental share-based compensation expense resulting from the Melco Resorts Option Exchange program was approximately US$3,306,000 (equivalent to approximately HK$25,947,000), representing the excess of (i) the fair value of certain Melco Resorts Replacement Share Options measured using the Black-Scholes valuation model on the Melco Resorts Modification Date; and (ii) the fair value of certain Melco Resorts Replacement Restricted Shares determined with reference to the market closing price of Melco Resorts' ADS trading on the Nasdaq Global Select Market on the Melco Resorts Modification Date, over the fair value of the Melco Resorts Cancelled Share Options that were granted during 2013 to 2021 immediately before the exchange. The incremental share-based compensation expenses are being recognized over the new vesting periods of the Melco Resorts Replacement Share Options and Melco Resorts Replacement Restricted Shares, and the unrecognized compensation costs remaining from the Melco Resorts Cancelled Share Options are being recognized over the remainder of their original vesting periods.

16. CHANGE IN OWNERSHIP INTERESTS OF CERTAIN SUBSIDIARIES

Melco Resorts

During the six months ended 30 June 2022, Melco Resorts repurchased 5,579,248 ADSs (equivalent to 16,737,744 ordinary shares) (six months ended 30 June 2021: nil) from the open market for an aggregate consideration of approximately US$34,757,000 (equivalent to approximately HK$271,735,000) which increased the Group's ownership interest in Melco Resorts. On the other hand, certain restricted shares under the Melco Resorts share incentive plans vested, which decreased the Group's ownership interest in Melco Resorts.

As a net result of the above transactions, the Group's ownership interest in Melco Resorts increased from 57.10% on 1 January 2022 to 57.26% on 30 June 2022. The Group recognized a decrease of HK$120,447,000 in special reserve and a decrease of HK$151,288,000 in non-controlling interests.

SCIHL

During February and March 2022, SCIHL respectively announced and completed a series of private offers of 400,000,000 Class A ordinary shares to certain existing shareholders and holders of its ADSs, including the Group, with gross proceeds amounting to US$300,000,000 (equivalent to approximately HK$2,338,305,000), of which approximately US$134,944,000 (equivalent to approximately HK$1,051,857,000) was from non-controlling interests and approximately US$165,056,000 (equivalent to approximately HK$1,286,448,000) was from the Group (the "2022 Private Placements"). The 2022 Private Placements increased the Group's shareholding in SCIHL which was funded by the Group's drawdown of US$170,000,000 (equivalent to approximately HK$1,327,700,000) from the 2020 Credit Facilities on 23 February 2022. The Group retains its controlling financial interests in SCIHL before and after the 2022 Private Placements.

As a result of the above transaction and aforesaid change in the Group's ownership interest in Melco Resorts, the Group's ownership interest in SCIHL increased from 31.41% on 1 January 2022 to 31.50% on 30 June 2022. The Group recognized a decrease of HK$964,000 in special reserve and an increase of HK$1,046,253,000 in non-controlling interests.

The Philippine subsidiaries

During the six months ended 30 June 2022, the Group through the subsidiaries, purchased 34.331 common shares of Melco Resorts and Entertainment (Philippines) Corporation ("MRP"), a subsidiary of the Company, at a total consideration of PHP115,086,000 (equivalent to HK$17,549,000) from the non-controlling interests, which increased the Group's ownership interest in MRP.

As a result of the above transaction and aforesaid change in the Group's ownership interest in Melco Resorts, the Group's ownership interest in MRP increased from 56.52% on 1 January 2022 to 56.85% on 30 June 2022. The Group recognized a decrease of HK$9,031,000 in special reserve and a decrease of HK$8,518,000 in non-controlling interests.

17. SUBSEQUENT EVENTS

(a) A notice dated 13 July 2022 from the Group was served to the joint venture partner to terminate a cooperation agreement and its supplemental agreements (collectively, the "Joint Venture Cooperation Agreement") in accordance with the Civil Code of the PRC (the "JV Termination") because certain provisions in the Joint Venture Cooperation Agreement were not met by the joint venture partner. The Group is in the early stages of discussing the separation plan with the joint venture partner regarding the JV Termination and the resulting outcome and financial impact to the Group's unaudited condensed consolidated interim financial information cannot be estimated with certainty.

On 21 July 2022, the pledge of certain interest in the joint venture held by the Group to a third party to secure against the financing of the joint venture partner was released.

(b) On 16 August 2022, the Group received confirmation that the majority of lenders of the 2020 Credit Facilities have consented and agreed to a waiver extension of certain financial condition covenants contained in the facility agreement under the 2020 Credit Facilities. The existing waiver remains valid in respect of the relevant periods ending on the 31 December 2022 test date, and the waiver extension granted extends the waiver for all relevant periods to and including the 31 March 2024 test date. The Group has paid a customary fee to all consenting lenders in relation to such consent which became effective on 17 August 2022.

(c) On 16 August 2022, the Group obtained confirmation from the facility agent that certain provisions contained in the 2021 Credit Facilities were waived and amended, subject to certain conditions. The net proceeds from the Share Repurchase (as defined in note (d)) was deposited into a designated bank account on 30 August 2022 for the future repayment of the principal and payment of interest under the 2021 Credit Facilities.

(d) On 18 August 2022, the Company, Melco Resorts and Melco Leisure and Entertainment Group Limited ("Melco Leisure"), a subsidiary of the Company, entered into a share repurchase agreement, pursuant to which Melco Resorts agreed to repurchase 9,995,799 ordinary shares of Melco Resorts and 25,000,000 ADSs of Melco Resorts (equivalent to 75,000,000 ordinary shares of Melco Resorts) (the "Repurchased Shares") from Melco Leisure (the "Share Repurchase"). The Share Repurchase was completed on 26 August 2022. The aggregate consideration for the Share Repurchase was approximately US$152,709,000 (equivalent to approximately HK$1,198,762,000), less the amount of fees, costs and expenses incurred by Melco Resorts in connection with the Share Repurchase.

After the Share Repurchase and with Melco Resorts' cancellation of certain number of its ordinary shares (including part of the Repurchased Shares) in August 2022, the Group's ownership interest in Melco Resorts decreased and Melco Resorts continues to be a subsidiary of the Company.

(e) On 24 August 2022, the Group drew down US$400,000,000 (equivalent to approximately HK$3,138,560,000) from the 2020 Credit Facilities for the Group's general corporate purposes.

MANAGEMENT DISCUSSION & ANALYSIS

SIGNIFICANT EVENTS AND DEVELOPMENTS

In the first half of 2022, COVID-19 outbreaks and related restrictions continued to have material impact on the Group's operations and financial position. Nevertheless, businesses in the Philippines and Cyprus have been improving with volumes gradually recovering toward pre-COVID levels. To cope with the challenges, disciplined liquidity management remained a key focus of the Group during the review period with prudence in managing its balance sheet and liquidity profile in the challenging environment.

In Macau, the authority tightened border controls for entry from Guangdong province because of the COVID-19 flare-ups in China in mid-January 2022, while the validity of nucleic acid tests to enter Macau varied from time to time. For the first six months of 2022 combined, gross gaming revenue was down 46.4% and correspondingly the Group's operating and financial performances were adversely impacted.

In the Philippines, our casinos have been operating at 100% capacity since 1 March 2022 when the COVID-19 restrictions were lowered to Alert Level 1. As of 30 May 2022, restrictions for inbound travellers to the Philippines have been eased and negative RT-PCR test results are no longer required for those people that are fully vaccinated, leading to an almost 40% increase in gross gaming revenue by licensed casinos from the first quarter of 2022 to the second quarter of 2022.

In Cyprus, though there was a spike in COVID-19 cases in the first quarter of 2022, the situation in the second quarter improved and COVID-19 related restrictions were relaxed. Consequently, our business in Cyprus also saw a pick-up in volumes and profitability. The opening of City of Dreams Mediterranean has been delayed until early second quarter 2023, subject to regulatory approvals for such extension and construction progress, due to certain difficulties that we have encountered with our contractors. The Group is actively dealing with these difficulties and remains fully committed to delivering Europe's first integrated resort in Cyprus.

In June 2022, the amendment to the Macau gaming law was passed by the Legislative Assembly and signed by the Chief Executive of the Macau SAR. In addition, Melco Resorts Macau has entered into an amendment agreement to the subconcession contract extending its gaming subconcession to 31 December 2022.

BUSINESS REVIEW

Integrated Gaming and Entertainment Resorts

Melco International operates its gaming business primarily through its subsidiary, Melco Resorts, a developer, owner and operator of integrated resort facilities in Asia and Europe. As at 30 June 2022, Melco International, through its subsidiary, held approximately 55.8% of the total issued shares of Melco Resorts. After completion of the repurchase of shares by Melco Resorts as announced by the Company on 18 August 2022, and cancellation of certain number of its ordinary shares and ADSs by Melco Resorts in August 2022, the ownership in Melco Resorts is reduced to approximately 53.12% of its total issued shares as at the date of this announcement.

Melco Resorts currently operates Altira Macau, an integrated resort located in Taipa, Macau; City of Dreams, an integrated resort located in Cotai, Macau; and Mocha Clubs, the largest non-casino-based operator of electronic gaming machines in Macau. Furthermore, it has a majority ownership of and operates Studio City, a cinematically themed integrated resort located in Cotai, Macau.

Beyond Macau, a Philippine subsidiary of Melco Resorts currently operates and manages City of Dreams Manila, an integrated resort at the Entertainment City complex in Manila. In Cyprus, Melco Resorts holds a 75% equity interest in ICR Cyprus Holdings Limited ("ICR Cyprus") and is currently developing the City of Dreams Mediterranean integrated resort project. It is also operating a temporary casino in Limassol, the first authorized casino in Cyprus, and is licensed to operate four satellite casinos. Upon the opening of City of Dreams Mediterranean, ICR Cyprus will continue to operate the satellite casinos while operation of the temporary casino will cease.

The Group's net revenues totalled HK$6.03 billion for the six-month period ended 30 June 2022, a decrease of 28.5% compared with the HK$8.43 billion recorded in the corresponding period of 2021. The decline was mainly attributable to heightened border restrictions in Macau and mainland China related to COVID-19, which led to softer performance in our casino and hospitality operations in the six months ended 30 June 2022. Loss for the period was HK$4.58 billion, compared with a loss for the period of HK$3.75 billion in the same period of 2021.

City of Dreams

City of Dreams in Macau is Melco Resorts' flagship integrated resort, a premium-focused property that targets high-end customers and rolling chip players from regional markets across Asia. In the first half of 2022, the property operated an average of approximately 451 gaming tables and 690 gaming machines.

City of Dreams has once again received Five-Star recognitions from Forbes Travel Guide ("FTG") in 2022, testifying to its pledge to service quality. Its flagship hotels, Nüwa and Morpheus, and their respective spas not only have received the highest Five-Star ratings, but this time also celebrate Nüwa's 10th consecutive year of receiving such honour.

Building on the synergies created by its spectacular gaming and non-gaming entertainment offerings, including a constantly optimised retail proposition and restaurant offering, City of Dreams has consistently strengthened its position as the leading premium-mass market leisure destination in Macau.

Studio City

The Hollywood-inspired and cinematically themed integrated resort, Studio City, is designed to be the most diverse entertainment offering in Macau. In the first half of 2022, the property operated an average of approximately 277 gaming tables and 715 gaming machines.

Dedicated to promoting economic diversification in Macau, the Group was pleased to launch Super Fun Zone at Studio City, an exciting new playground for families and children that will further complement the hospitality offerings of fun-filled Studio City. The four-level Super Fun Zone covers 29,600 square feet of pure excitement in a fun indoor complex designed for adventurous explorers.

Meanwhile, the construction of Studio City Phase 2 is progressing and we anticipate phasing the opening beginning in the second quarter of 2023. We currently expect a project budget of US$1.2 billion for the development of Studio City Phase 2. This Phase 2 complex has been designed by leading international architecture firm, Zaha Hadid Architects, and is in harmony with the style of the integrated resort's existing Phase 1. The new leisure and entertainment hub will feature two new hotels with a total of 900 rooms, one of the largest indoor and outdoor water parks in Asia, a six-screen Cineplex complete with two regular screens and four VIP suites, and a state-of-the-art MICE space. The project will complement the Group's existing offering of next-generation world-class entertainment and further enhance the Studio City brand.

Altira Macau

Altira Macau is an integrated resort designed to provide a casino and hotel experience that caters to premium market customers and players. Located in Taipa, it offers an oasis of sophistication with spectacular panoramic views of the Macau Peninsula. By delivering services customised for each guest, both Altira Macau and Altira Spa attained a Five-Star rating from FTG for the 13th consecutive year in 2022. In the first half of 2022, Altira Macau operated an average of approximately 95 gaming tables and 136 gaming machines (operated as a Mocha Club at Altira Macau).

In the third quarter of 2021, the Group made the decision to reposition Altira Macau as a more mass and premium-mass focused property. This transition is expected to take approximately 12 months and will enable Altira Macau to become a more resilient and profitable property.

Mocha Clubs

Mocha Clubs comprises the largest non-casino-based operator of electronic gaming machines in Macau. As a pioneer in Macau's electronic gaming industry, Mocha Clubs has invested in a series of innovative and top-quality electronic gaming machines from around the world to offer a contemporary entertainment mix to a broader range of visitors. In the first half of 2022, Mocha Clubs operated seven clubs with an average of approximately 948 gaming machines (excluding approximately 136 gaming machines at operation at Altira Macau).

City of Dreams Manila

Beyond Macau, City of Dreams Manila, which is strategically located at the gateway of Entertainment City, provides an unparalleled entertainment and hospitality experience for the Southeast Asian market and continues to set the benchmark for the Group's robust capacity to execute its international vision. This dynamic property boasts the ultimate in entertainment, hotel, retail, dining, and lifestyle experiences and features an extensive gaming space, including VIP and mass-market gaming facilities. The property operated an average of approximately 287 gaming tables and 2,266 gaming machines in the first half of 2022.

City of Dreams Mediterranean and Cyprus Casinos ("C2")

ICR Cyprus, a joint venture company 75% held by Melco Resorts, is developing the City of Dreams Mediterranean integrated resort project in Cyprus. ICR Cyprus holds a 30-year casino gaming license which commenced in June 2017, the first 15 years of which are on an exclusive basis.

Construction on the project is ongoing, however, due to certain difficulties that we have encountered with our contractors, the completion of the project will be delayed until early second quarter 2023, subject to regulatory approvals for such extension and construction progress. Once completed, City of Dreams Mediterranean will be the largest integrated resort in Europe, boasting approximately 500 luxury hotel rooms, around 100,000 square feet of cutting-edge MICE space, a family adventure park, an outdoor amphitheatre, and a variety of fine dining and luxury retail outlets.

Ahead of the opening of City of Dreams Mediterranean, the temporary casino C2 Limassol opened its doors in June 2018. The four C2 satellite casinos are located at Nicosia, Larnaca, Ayia Napa and Paphos, while the C2 satellite casino in Larnaca, previously located within the premises of the Larnaca International Airport, is currently closed for relocation. Upon the opening of City of Dreams Mediterranean, we will continue to operate the satellite casinos while operation of the temporary casino will cease. C2 operated an average of approximately 35 gaming tables and 456 gaming machines in the first half of 2022.

OUTLOOK

The Group expects the COVID-19 pandemic will continue to impact our operations, financial position and prospects in the second half of the year. We believe that for the leisure and tourism industry to recover and stay strong, travel restrictions have to be eased and consumer sentiment has to return and those, in turn, depend on such factors as vaccination rates increasing and the development of effective remedies for COVID-19 infections. In addition, the Russia-Ukraine war which has sparked sanctions and export controls imposed by the United States, the European Union, the United Kingdom and other countries on Russia, its financial system and major financial institutions, plus certain Russian entities and persons, may harm the Group's business in Cyprus.

The recent COVID-19 outbreak in Macau in mid-June 2022 put the city under static management for three weeks in July with all casinos barred from operating for 12 days. We were able to resume operations from 23 July 2022, subject to strict health and pandemic prevention requirements, and certain guidelines continue to remain in place.

As for the business in the Philippines, City of Dreams Manila has been operating at full capacity after the country lowered COVID-19 restrictions to Alert Level 1 on 1 March 2022. According to World Travel & Tourism Council data, the Philippines is one of the most popular Asian destinations in 2022 and the fastest growing single destination in Southeast Asia, with international flight bookings up 29% in the second quarter of the year against the first quarter. The Group expects to see further growth if more of the travel restrictions around Asia are lifted in the second half of the year.

Cyprus also saw a pick-up in volumes and profitability with a relaxation in COVID-19 related restrictions. According to data released by the Statistical Service of Cyprus, tourist arrivals in the first half of 2022 exceeded 1.22 million, an increase of 258.2% compared to the corresponding period last year. We anticipate a gradual revival in tourism from the pandemic in the second half of the year, which will be favourable to our Cyprus segment and for the opening of City of Dreams Mediterranean set in early second quarter 2023.

Looking ahead, with a pre-eminent portfolio of superior properties and exciting new projects underway, the Group is well-poised to bring new quality experiences to guests and, with pioneering and innovative offers in leisure and entertainment, set the industry benchmark. We will continue to place the utmost importance on the safety and security of guests and colleagues around the world, and remain alert and agile in navigating the uncertain and challenging operating environment.

ACHIEVEMENTS AND AWARDS

Melco International has spared no effort to comply with the highest corporate governance and corporate social responsibility standards over the years, with a view to achieve the Group's strong commitment to being a leading global leisure and entertainment integrated resort operator. The Group's efforts have thus been widely acknowledged in the first half of 2022.

People

With our people-centric principles and a strong emphasis on the well-being of colleagues and guests, the Group actively promotes Occupational Safety and Health ("OSH"). In Macau, Melco Resorts achieved a 99.5% completion rate in the government-organized Hotel and Catering Safety Card Training Program in the first half of 2022, making significant progress in enhancing colleagues' knowledge and awareness of OSH.

In recognition of our continuous efforts in human resources management, Melco Resorts was honoured with three accolades in the Cyprus HR Awards 2021 including Silver Awards in two categories, namely, Most Effective Recruitment Strategy for our "Resourcing & Diversity" strategy, and Best CSR Initiative with Employees' Involvement, as well as a Bronze Award for HR Corporate Event of the Year for our "C2Vision Talent Show" program. These awards represent the acknowledgement of the Group's people strategy, which is designed to foster positive colleague development and enable colleagues worldwide to meet their full potential.

Corporate Social Responsibility

As a responsible partner to our colleagues and society, we strive to fulfill our responsibility to make contributions and give back to the community.

In response to the fast-changing pandemic situation in Macau, the Group has continued to mobilize volunteer teams to support the mass Nuclei Acid Test ("NAT") stations. Nearly 100 members of our volunteer team continued to provide their full support through shift work to the NAT services at Parenting Education Centre (Lakeside) Station and Tap Seac Caring Station.

In support of the government's efforts to fight against the spread of COVID-19, further to the MOP16,000,000 "Get the Jab" immunity incentive program launched in 2021, the Group has granted up to three days special paid leave to colleagues who need to accompany their children (under 18 years of age) and elderly parents to get vaccinated. Onsite outreach vaccination sessions in coordination with Macau Health Bureau were also hosted at Studio City, providing a convenient option for colleagues and the community to receive vaccinations.

To assist local small and medium enterprises ("SMEs") amid the pandemic, Melco Resorts cooperated with the Macao Federation of Trade Unions to host the "Privileges for You" Shopping Carnival with the aim of creating opportunities for SME revenue generation. Approximately 140 SMEs participated in the event. In addition, the Group continued to launch the Heart of House roadshows series to allow SMEs to promote their brands and businesses to colleagues working at our properties including City of Dreams, Studio City and Altira Macau. In the first half of 2022, close to MOP4.4 million in revenue was generated, benefiting over 100 SMEs and non-governmental organizations.

Business Operations

The Group is endeavouring to transform the hospitality industry through groundbreaking yet practical ideas, strengthening our leading position among global integrated resort operators whilst offering our guests the most memorable and superior culinary, hospitality and entertainment experiences.

Melco Resorts has once again been honoured by the 2022 FTG with a collective total of 97 Stars, including 17 Five-Star awards. The Group's entire integrated resort portfolio, including City of Dreams, Studio City, Altira Macau and City of Dreams Manila, has been honoured with this prestigious recognition. Notably, Altira Macau has celebrated its 13th successive year as an FTG Five-Star award recipient across both the Hotel and Spa categories. The coveted achievement highlights the Group's ceaseless devotion to exceptional hospitality.

The Group's exquisite culinary delights were also recognized by Michelin Guide Hong Kong Macau 2022, with seven Michelin stars awarded to four signature restaurants located in City of Dreams, Studio City and Altira Macau. These achievements establish the Group as a Macau integrated resort operator with one of the highest numbers of Michelin stars. Cantonese fine dining restaurant Jade Dragon has received three Michelin stars for three consecutive years, while Alain Ducasse at Morpheus, which offers gastronomic experiences that pay homage to the great traditions and savoir-faire of French cuisine, has been awarded two Michelin stars for the fourth consecutive year.

In addition to the abovementioned recognitions, Jade Dragon and Yí have also been honoured with a collective total of four diamond accolades by Black Pearl Restaurant Guide 2022. Jade Dragon received Three Diamonds and was hailed as a "Once-in-a-Lifetime Dining Experience", while the contemporary Chinese restaurant Yí at Morpheus, City of Dreams achieved One Diamond and was named "Best for Gathering". This marks the third consecutive year that Jade Dragon and Yí have been honoured with the Three Diamonds and One Diamond accolades, respectively, from the Black Pearl Restaurant Guide.

Environmental Sustainability

As an industry leader who pledges to restore, inspire, sustain and empower the planet, people and communities, the Group has continued to go beyond the industry standard and accelerate our sustainability efforts during these unprecedented times. Our "Above & Beyond" sustainability strategy guides us to achieve our ambitious goals of realizing carbon neutrality and zero waste across our resorts by 2030. The Group will continue to set out specific actions for enhancing mitigation and adaptation measures, as well as simultaneously seeking innovative technology-based solutions to support the aim of achieving decarbonization.

In recognition of our strong commitment to creating a sustainable future and forward-thinking sustainability strategies, Melco Resorts received the Sustainability Award from the International Gaming Awards 2022. Furthermore, Nüwa and Morpheus each earned a Gold Award, while The Countdown Hotel received a Silver Award, in the 2021 Macao Green Hotel Award organized by the Environmental Protection Bureau in collaboration with the Macao Government Tourism Office, applauding our proactive adoption of environmental measures in the Group's daily operations and close cooperation with the Macau SAR Government on the implementation of environmental protection policies.

In addition, Nüwa Manila, Nobu Hotel and Hyatt Regency Manila, City of Dreams Manila were recognized with the 2022-2024 ASEAN Green Hotel Award in the ASEAN Tourism Forum, honouring our commitment to the highest standards of sustainable operations and corporate social responsibility initiatives.

FINANCIAL REVIEW

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE

HK$' million	**2022 (Unaudited)**	2021 (Unaudited)	YoY%
Net revenues	**6,025.1**	8,425.3	–28.5%
Adjusted EBITDA	**168.2**	732.5	–77.0%
Loss attributable to owners of the Company	**(2,374.6)**	(1,647.6)	–44.1%
Basic loss per share attributable to owners of the Company (HK$)	**(1.58)**	(1.09)	–45.1%

FINANCIAL POSITION

HK$' million	**30 June 2022 (Unaudited)**	31 December 2021 (Audited)	YoY%
Total assets	**94,988.0**	94,193.3	0.8%
Total liabilities	**76,647.9**	71,725.3	6.9%
Equity attributable to owners of the Company	**4,265.0**	6,862.7	–37.9%
Net asset value per share attributable to owners of the Company (HK$)	**2.8**	4.5	–37.9%
Gearing ratio (%)	**67.6%**	61.4%	N/A

Net Revenues

Net revenues of the Group decreased by 28.5% from HK$8.43 billion for the six months ended 30 June 2021 to HK$6.03 billion for the six months ended 30 June 2022. The decrease in net revenues was primarily attributable to heightened border restrictions in Macau and mainland China related to COVID-19, which led to softer performance in our casino and hospitality operations in the six months ended 30 June 2022.

HK$' million	**Six Months ended 30 June 2022 (Unaudited)**	2021 (Unaudited)	YoY%
Casino revenue	**4,904.9**	7,082.7	–30.7%
Entertainment and resort facilities:			
Rooms	**495.4**	616.4	–19.6%
Catering service income	**346.5**	399.7	–13.3%
Entertainment, retail and other	**278.4**	323.8	–14.0%
Property rental income	**–**	2.6	–100.0%
	6,025.1	8,425.3	–28.5%

ADJUSTED EBITDA [1]

The Company generated Adjusted EBITDA of HK$168.2 million for the six months ended 30 June 2022, compared to Adjusted EBITDA of HK$732.5 million for the six months ended 30 June 2021. The change in Adjusted EBITDA was mainly attributable to softer performance in our casino and hospitality operations as a result of heightened border restrictions in Macau and mainland China related to COVID-19 in the six months ended 30 June 2022.

Loss Attributable to Owners of the Company

Loss attributable to owners of the Company was HK$2.37 billion for the six months ended 30 June 2022, compared to loss attributable to owners of the Company of HK$1.65 billion for the six months ended 30 June 2021. The change was mainly attributable to softer performance in our casino and hospitality operations as a result of heightened border restrictions in Macau and mainland China related to COVID-19 in the six months ended 30 June 2022, as well as a lower fair value gains on other financial assets in the six months ended 30 June 2022 as compared to the six months ended 30 June 2021.

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

Basic Loss Per Share Attributable to Owners of the Company

Basic loss per share attributable to owners of the Company was HK$1.58 per share for the six months ended 30 June 2022, compared to basic loss per share attributable to owners of the Company of HK$1.09 per share for the six months ended 30 June 2021.

Financial and Operational Performance

Melco Resorts, a majority-owned subsidiary of the Group as at 30 June 2022, contributed the most majority of the financial results of the Group.

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

According to the unaudited financial results of Melco Resorts prepared in accordance with the U.S. generally accepted accounting principles, it recorded total operating revenues of US$0.77 billion for the six months ended 30 June 2022 versus US$1.09 billion for the six months ended 30 June 2021. The decrease in total operating revenues was primarily attributable to heightened border restrictions in Macau and mainland China related to COVID-19, which led to softer performance in our gaming and non-gaming operations in the six months ended 30 June 2022.

Operating loss for the six months ended 30 June 2022 was US$345.1 million, compared with operating loss of US$290.9 million for the same period in 2021.

Melco Resorts generated Adjusted Property EBITDA[2] of US$42.2 million for the six months ended 30 June 2022, compared with Adjusted Property EBITDA of US$109.2 million for the same period in 2021.

Net loss attributable to the financial performance of Melco Resorts for the six months ended 30 June 2022 was US$434.7 million, compared with a net loss attributable to the financial performance of Melco Resorts of US$418.6 million for the same period in 2021.

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

City of Dreams

For the six months ended 30 June 2022, total operating revenues at City of Dreams were US$354.1 million, compared to US$650.1 million for the same period in 2021. City of Dreams generated Adjusted Property EBITDA of US$15.9 million for the six months ended 30 June 2022, compared with Adjusted Property EBITDA of US$119.6 million in the same period in 2021.

Gaming Performance

	Six months ended 30 June		
US$'million	**2022**	2021	YoY%
VIP Gaming			
Rolling chip volume	**3,197.2**	8,687.3	–63.2%
Win rate	**3.61%**	2.56%	N/A
Mass Market			
Table drop	**761.7**	1,537.7	–50.5%
Hold percentage	**31.3%**	32.1%	N/A
Gaming Machine			
Handle	**597.2**	1,005.1	–40.6%
Win rate	**3.1%**	3.1%	N/A

Non-Gaming Performance

Total non-gaming revenue at City of Dreams for the six months ended 30 June 2022 was US$62.1 million, compared with US$99.3 million in the same period in 2021.

Altira Macau

Starting in the third quarter of 2021, Altira Macau has strategically repositioned to cater to the premium mass segment and has shut down VIP operations. For the six months ended 30 June 2022, total operating revenues at Altira Macau were US$21.2 million, compared to US$32.7 million in the same period in 2021. Altira Macau generated negative Adjusted Property EBITDA of US$20.6 million for the six months ended 30 June 2022, compared with negative Adjusted Property EBITDA of US$46.9 million in the same period in 2021.

Gaming Performance

	Six months ended 30 June		
US$'million	**2022**	2021	YoY%
VIP Gaming			
Rolling chip volume	**–**	1,962.3	–100.0%
Win rate	**N/A**	1.61%	N/A
Mass Market			
Table drop	**73.7**	95.1	–22.4%
Hold percentage	**22.8%**	22.7%	N/A
Gaming Machine			
Handle	**92.0**	110.4	–16.7%
Win rate	**4.1%**	4.0%	N/A

Non-Gaming Performance

Total non-gaming revenue at Altira Macau for the six months ended 30 June 2022 was US$4.4 million, compared with US$6.1 million in the same period in 2021.

Mocha and Other

Effective from 27 June 2022, the Grand Dragon Casino, which focuses on mass market table games and was previously reported under the corporate and other segment, has been included in the Mocha and Other segment as a result of the change of terms of the right-to-use agreement for the Grand Dragon Casino.

Total operating revenues from Mocha and Other were US$38.1 million for the six months ended 30 June 2022, compared to US$42.0 million in the same period in 2021. Mocha and Other generated Adjusted Property EBITDA of US$6.8 million for the six months ended 30 June 2022, compared with Adjusted Property EBITDA of US$7.4 million in the same period in 2021.

Gaming Performance

	Six months ended 30 June		
US$'million	**2022**	2021	YoY%
Mass Market			
Table drop	**0.4**	–	N/A
Hold percentage	**26.9%**	N/A	N/A
Gaming Machine			
Handle	**884.9**	967.0	–8.5%
Win rate	**4.3%**	4.3%	N/A

Studio City

For the six months ended 30 June 2022, total operating revenues at Studio City were US$107.0 million, compared to US$202.3 million in the same period in 2021. Studio City generated negative Adjusted Property EBITDA of US$48.4 million for the six months ended 30 June 2022, compared with negative Adjusted Property EBITDA of US$6.4 million in the same period in 2021.

Gaming Performance

	Six months ended 30 June		
US$'million	**2022**	2021	YoY%
VIP Gaming			
Rolling chip volume	**543.3**	891.1	–39.0%
Win rate	**2.37%**	1.91%	N/A
Mass Market			
Table drop	**285.1**	629.0	–54.7%
Hold percentage	**29.7%**	27.4%	N/A
Gaming Machine			
Handle	**434.7**	577.7	–24.7%
Win rate	**2.8%**	2.6%	N/A

Non-Gaming Performance

Total non-gaming revenue at Studio City for the six months ended 30 June 2022 was US$21.6 million, compared with US$41.3 million in the same period in 2021.

City of Dreams Manila

For the six months ended 30 June 2022, total operating revenues at City of Dreams Manila were US$198.6 million, compared to US$132.2 million in the same period in 2021. City of Dreams Manila generated Adjusted Property EBITDA of US$82.0 million for the six months ended 30 June 2022, compared with Adjusted Property EBITDA of US$42.7 million in the same period in 2021.

Gaming Performance

	Six Months ended 30 June		
US$'million	**2022**	2021	YoY%
VIP Gaming			
Rolling chip volume	**1,419.2**	544.0	160.9%
Win rate	**2.11%**	6.19%	N/A
Mass Market			
Table drop	**305.7**	169.3	80.5%
Hold percentage	**29.3%**	32.4%	N/A
Gaming Machine			
Handle	**1,702.3**	969.9	75.5%
Win rate	**5.6%**	5.6%	N/A

Non-Gaming Performance

Total non-gaming revenue at City of Dreams Manila for the six months ended 30 June 2022 was US$49.6 million, compared with US$21.0 million in the same period in 2021.

Cyprus Operations

Melco Resorts is licensed to operate a temporary casino, the first casino in the Republic of Cyprus, and four satellite casinos ("Cyprus Casinos"). Upon the completion and opening of City of Dreams Mediterranean, Melco Resorts will continue to operate the satellite casinos while operation of the temporary casino will cease.

For the six months ended 30 June 2022, total operating revenues at Cyprus Casinos were US$37.8 million, compared to US$10.0 million in the same period in 2021. Cyprus Casinos generated Adjusted Property EBITDA of US$6.5 million for the six months ended 30 June 2022, compared with negative Adjusted Property EBITDA of US$7.2 million in the same period in 2021.

Gaming Performance

	Six Months ended 30 June		
US$'million	**2022**	2021	YoY%
VIP Gaming			
Rolling chip volume	**2.4**	1.5	57.0%
Win rate	**–3.56%**	–4.40%	N/A
Mass Market			
Table drop	**58.2**	14.4	304.3%
Hold percentage	**18.1%**	15.6%	N/A
Gaming Machine			
Handle	**563.0**	161.0	249.6%
Win rate	**5.0%**	4.9%	N/A

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Capital Resources

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

The Group continues to manage its financial position carefully and maintains conservative policies in cash and financial management. As at 30 June 2022, the Group's bank balances and cash amounted to HK$13,165.0 million (31 December 2021: HK$13,452.4 million).

As at 30 June 2022, the Group had available borrowing capacity of HK$9.02 billion (31 December 2021: HK$13.38 billion), subject to satisfaction of certain conditions precedent.

Major changes in our indebtedness during the six months ended and subsequent to 30 June 2022 are summarized below.

On 16 February 2022, the Group issued US$350.0 million (equivalent to approximately HK$2.73 billion) in aggregate principal amount of 7.00% senior secured notes due 2027.

During the six months ended 30 June 2022, the Group drew down US$420.0 million (equivalent to approximately HK$3.28 billion) under a HK$14.85 billion revolving credit facility ("2020 Credit Facilities").

On 4 May 2022, the maturity date of a secured credit facility of HK$2.0 million was extended to 31 December 2022 pursuant to an extension request letter.

On 16 August 2022, the Group received confirmation that the majority of lenders of the 2020 Credit Facilities have consented and agreed to a waiver extension of certain financial condition covenants contained in the facility agreement under the 2020 Credit Facilities. The existing waiver remains valid in respect of the relevant periods ending on the 31 December 2022 test date, and the waiver extension granted extends the waiver for all relevant periods to and including the 31 March 2024 test date. The Group has paid a customary fee to all consenting lenders in relation to such consent which became effective on 17 August 2022.

On 16 August 2022, the Group obtained confirmation from the facility agent that certain provisions contained in a US$1.0 billion 5-year secured credit facility agreement (the "2021 Credit Facilities") were waived and amended, subject to certain conditions. The net proceeds from the Share Repurchase (as defined in note 17(d) to the Condensed Consolidated Interim Financial Information contained herein) was deposited into a designated bank account on 30 August 2022 for the future repayment of the principal and payment of interest under the 2021 Credit Facilities.

On 24 August 2022, the Group drew down US$400.0 million (equivalent to approximately HK$3.14 billion) from the 2020 Credit Facilities for the Group's general corporate purposes.

The availability period of an unsecured credit facility amounting to Philippine Peso2.35 billion (equivalent to approximately HK$335.2 million) was extended from 31 January 2021 to 31 January 2022 during the year ended 31 December 2021, and was further extended to 1 May 2022 in January 2022 and again extended to 31 January 2023 in April 2022, on substantially similar terms as before. In April 2022, the credit facility availability period was further extended to 31 January 2023, with other terms and conditions unchanged, except (1) the maturity date of each individual drawdown is to be the earlier of: (i) the date which is 360 days from the date of drawdown, and (ii) the date which is 360 days after the end of the availability period; and (2) the available drawdown currencies are Philippine Peso and US$.

For further details of our indebtedness, see note 35 to the consolidated financial statements included in the Company's 2021 Annual Report and note 14 to the Condensed Consolidated Interim Financial Information contained herein, which includes information regarding the type of debt facilities used, the maturity profile of debt, the currency and interest rate structure, the charge on our assets and the nature and extent of any restrictions on our ability, and the ability of our subsidiaries, to transfer funds as cash dividends, loans or advances.

Gearing Ratio

The gearing ratio, expressed as a percentage of total interest-bearing borrowings divided by total assets, was 67.6% as at 30 June 2022 (31 December 2021: 61.4%).

Pledges of assets

As at 30 June 2022, borrowings in aggregate principal amount of HK$9,536.7 million (31 December 2021: HK$6,747.7 million) were secured by the following assets of the Group:

(i) certain property, plant and equipment;

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

(iii) certain bank deposits;

(iv) receivables and other assets including certain inter-group loans; and

(v) issued shares of certain subsidiaries of the Group.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2022.

FINANCIAL RISK

Foreign exchange risk

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

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

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

Interest rate risk

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

Equity price risk

The Group is exposed to equity price risk through its investments in marketable equity securities. The Group does not engage in hedging transactions with respect to equity price exposures and attempts to manage equity price risk by managing its portfolio of investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

HUMAN RESOURCES

Headcount and Employees' Information

The total number of the Group's employees was 17,270 as of 30 June 2022 (30 June 2021: 18,178). Among these employees, 179 are located in Hong Kong and the remaining 17,091 are mainly located in Macau, the Philippines, Cyprus, the PRC and Singapore. The related staff costs for the six months ended 30 June 2022, including directors' emoluments and share-based compensation expenses amounted to HK$2,606.7 million (six months ended 30 June 2021: HK$3,034.0 million).

Melco International believes that the key to success lies in its people. The Group strives to create environments of care and trust that make employees proud to be part of them. As an equal opportunity employer, Melco International believes that building a stable workforce and cultivating a harmonious workplace starts with embracing diversity. Equal opportunities are ensured in every area, including compensation, benefits, recruitment, promotion, transfer, training opportunities and development. The Group believes, through growing its business, it will be able to create opportunities and deliver value to its people. Thus, the Group encourages its employees to do their best at work and grow with the Group. Melco International builds employees' loyalty through recognition, involvement and participation. Melco International's people policy, systems and practices are directly aligned with the Group's mission and values which contribute to its success.

INTERIM DIVIDEND

In line with the suspension of the Company's semi-annual dividend program as announced on 14 May 2020, the Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

CORPORATE GOVERNANCE

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

Apart from the deviation mentioned below, the Company has complied with the Company Code and the code provisions of the CG Code during the six months ended 30 June 2022.

Under Paragraph C.2.1 of Part 2 the CG Code, the roles of chairman and chief executive officer of a listed company should be separate and performed by different individuals. However, in view of the current composition of the Board, the in-depth knowledge of Mr. Ho, Lawrence Yau Lung of the operations of the Group and of the gaming and entertainment sector, his extensive business network and connections in that sector, and the scope of operations of the Group, the Board believes it is in the best interests of the Company for Mr. Ho, Lawrence Yau Lung to assume the roles of Chairman and Chief Executive Officer until such time as the Board considers that such roles should be assumed by different persons.

The Company set up the following Board committees to ensure maintenance of high corporate governance standards:

a. Executive Committee;
b. Audit Committee;
c. Remuneration Committee;
d. Nomination Committee;
e. Corporate Governance Committee;
f. Finance Committee; and
g. Regulatory Compliance Committee.

The Company Code and the terms of reference of the above committees have been posted on the Company's website at www.melco-group.com under the "Corporate Governance" section.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has a code for dealing in the Company's securities by the directors of the Company (the "Directors") and relevant employees, who are likely to be in possession of inside information in relation to the securities of the Company (the "Code of Securities Dealings"), on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules. We have received confirmation from all Directors that they have complied with the required standards as set out in the Code of Securities Dealings throughout the six months ended 30 June 2022.

AUDIT COMMITTEE

The Company's Audit Committee is currently composed of a Non-executive Director and two Independent Non-executive Directors. The primary duties of the Audit Committee are (i) to review the annual reports, interim reports and financial statements of the Group and to provide advice and comments thereon to the Board; (ii) to review and supervise the Group's financial reporting process; and (iii) to oversee the Group's risk management and internal control systems. The Audit Committee has reviewed the unaudited interim results and the interim report of the Company for the six months ended 30 June 2022.

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

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INDEPENDENT REVIEW

The interim results for the six months ended 30 June 2022 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 Ernst & Young, the Company's auditor, whose independent review report is included in the interim report for the six months ended 30 June 2022.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE COMPANY AND THE HONG KONG STOCK EXCHANGE

This announcement is published on the Company's website (www.melco-group.com) and the Hong Kong Stock Exchange's website (www.hkexnews.hk). The interim report for the six months ended 30 June 2022 will be available on the websites of the Company and the Hong Kong Stock Exchange and printed copies of the interim report will be sent to the shareholders of the Company who have elected to receive printed copies in due course in accordance with the Listing Rules.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises three Executive Directors, namely Mr. Ho, Lawrence Yau Lung (Chairman and Chief Executive Officer), Mr. Evan Andrew Winkler (President and Managing Director) and Mr. Chung Yuk Man, Clarence; one Non-executive Director, namely Mr. Ng Ching Wo; and three Independent Non-executive Directors, namely Mr. John William Crawford, Mr. Tsui Che Yin, Frank and Ms. Karuna Evelyne Shinsho.

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

Hong Kong, 31 August 2022