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## **Melco International Development Limited**

*(Incorporated in Hong Kong with limited liability)*

Website: [www.melco-group.com](http://www.melco-group.com)

(Stock Code: 200)

### **ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019**

The board of directors (the “Board”) of Melco International Development Limited (the “Company” or “Melco International”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2019 as follows:

#### **FINANCIAL HIGHLIGHTS**

1. Net revenues were HK\$45.0 billion, which represented an increase of HK\$4.3 billion or 10.5%, compared to HK\$40.7 billion for the year ended 31 December 2018. The increase in net revenues was mainly attributable to increased casino gaming revenue as a result of better performance in the mass market table games segment.
2. Adjusted EBITDA was HK\$12.5 billion, representing an increase of HK\$1.6 billion or 15.1%, compared to HK\$10.9 billion for the year ended 31 December 2018.
3. Profit after tax was HK\$1.8 billion, representing an increase of HK\$0.2 billion or 10.5%, compared to HK\$1.6 billion for the year ended 31 December 2018.
4. Basic earnings per share attributable to owners of the Company was HK\$0.46 for the year ended 31 December 2019 compared to basic earnings per share attributable to owners of the Company of HK\$0.34 for the year ended 31 December 2018.

5. Net asset value per share attributable to owners of the Company was HK\$11.2 as of 31 December 2019, compared to HK\$10.7 as of 31 December 2018.
6. The Board has recommended the payment of a final dividend of HK3.01 cents per share, totalling approximately HK\$45.6 million, for the year ended 31 December 2019, subject to approval by the shareholders of the Company. The proposed dividend is expected to be paid on Thursday, 2 July 2020.

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

*FOR THE YEAR ENDED 31 DECEMBER 2019*

		<b>Year ended 31 December</b>	
		<b>2019</b>	<b>2018</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net revenues	4	<b>44,987,768</b>	40,724,673
Other income, gains and losses, net		<b>(41,002)</b>	75,201
Gaming tax and license fees		<b>(19,984,104)</b>	(18,594,419)
Employee benefits expenses		<b>(7,590,422)</b>	(6,892,961)
Depreciation and amortization		<b>(6,065,756)</b>	(5,163,392)
Loss on disposal of investment in an associate	5	<b>(7,593)</b>	–
Loss on disposal of subsidiaries		–	(34,111)
Other expenses		<b>(6,571,517)</b>	(6,136,541)
Finance costs		<b>(2,894,119)</b>	(2,417,089)
Share of profits and losses of associates		<b>796</b>	737
		<hr/>	<hr/>
PROFIT BEFORE TAX		<b>1,834,051</b>	1,562,098
Income tax	6	<b>(65,893)</b>	38,070
		<hr/>	<hr/>
PROFIT FOR THE YEAR		<b>1,768,158</b>	1,600,168
		<hr/> <hr/>	<hr/> <hr/>

	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences:		
Exchange differences on translation of foreign operations	<b>245,268</b>	(247,242)
Reclassification of exchange reserve upon disposal of investment in an associate	<b>28,703</b>	—
	<b>273,971</b>	(247,242)
<i>Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods:</i>		
Actuarial (loss)/gain arising from defined benefit obligations	<b>(5,121)</b>	2,157
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<b>268,850</b>	(245,085)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<b>2,037,008</b>	1,355,083

		<b>Year ended 31 December</b>	
		<b>2019</b>	<b>2018</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the year attributable to:			
Owners of the Company		<b>689,772</b>	522,571
Non-controlling interests		<b>1,078,386</b>	1,077,597
		<u><b>1,768,158</b></u>	<u>1,600,168</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		<b>857,947</b>	405,242
Non-controlling interests		<b>1,179,061</b>	949,841
		<u><b>2,037,008</b></u>	<u>1,355,083</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
	<b>8</b>		
Basic		<u><b>HK\$0.46</b></u>	<u>HK\$0.34</u>
Diluted		<u><b>HK\$0.45</b></u>	<u>HK\$0.33</u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*AT 31 DECEMBER 2019*

		<b>2019</b>	<b>2018</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>45,758,622</b>	48,069,934
Right-of-use assets		<b>7,694,763</b>	—
Investment properties		<b>348,000</b>	310,000
Land use rights		—	5,387,867
Gaming license and subconcession		<b>2,724,883</b>	3,813,886
Goodwill		<b>5,406,936</b>	5,299,451
Trademarks		<b>16,992,458</b>	16,992,458
Other intangible assets		<b>222,128</b>	225,068
Investments in associates		—	13,869
Trade receivables	9	<b>30,200</b>	41
Prepayments, deposits and other receivables		<b>1,347,468</b>	1,478,875
Other financial assets	10	<b>4,658,085</b>	205,381
Deferred tax assets		<b>27,710</b>	23,431
<b>Total non-current assets</b>		<b>85,211,253</b>	81,820,261
<b>CURRENT ASSETS</b>			
Land use rights		—	166,057
Inventories		<b>343,767</b>	323,279
Trade receivables	9	<b>2,216,044</b>	1,899,851
Prepayments, deposits and other receivables		<b>700,654</b>	789,348
Tax recoverable		—	160
Other financial assets	10	<b>676,717</b>	1,094,507
Bank deposits with original maturities over three months		—	40,000
Cash and bank balances		<b>11,213,138</b>	11,892,778
<b>Total current assets</b>		<b>15,150,320</b>	16,205,980

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b>	2018 <i>HK\$'000</i>
<b>CURRENT LIABILITIES</b>			
Trade payables	11	<b>171,977</b>	198,341
Other payables, accruals and deposits received	12	<b>11,199,008</b>	13,359,787
Tax payable		<b>80,433</b>	51,227
Interest-bearing borrowings		<b>420,967</b>	3,537,301
Lease liabilities		<b>574,737</b>	271,434
<b>Total current liabilities</b>		<b>12,447,122</b>	17,418,090
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>2,703,198</b>	(1,212,110)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>87,914,451</b>	80,608,151
<b>NON-CURRENT LIABILITIES</b>			
Other payables, accruals and deposits received	12	<b>173,637</b>	231,984
Interest-bearing borrowings		<b>40,907,850</b>	35,264,619
Lease liabilities		<b>2,729,820</b>	1,984,308
Deferred tax liabilities		<b>2,435,452</b>	2,424,214
<b>Total non-current liabilities</b>		<b>46,246,759</b>	39,905,125
<b>Net assets</b>		<b>41,667,692</b>	40,703,026
<b>EQUITY</b>			
Share capital		<b>5,669,692</b>	5,660,190
Reserves		<b>11,280,631</b>	10,572,040
Equity attributable to owners of the Company		<b>16,950,323</b>	16,232,230
Non-controlling interests		<b>24,717,369</b>	24,470,796
<b>Total equity</b>		<b>41,667,692</b>	40,703,026

## NOTES

### 1. 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 Company together with its subsidiaries (collectively referred to as the “Group”) is a developer, owner and operator of casino gaming and entertainment casino resort facilities in Asia and Europe. The Group operates its gaming business primarily through Melco Resorts & Entertainment Limited (“Melco Resorts”), a subsidiary of the Group, 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, a casino hotel located at Taipa, the Macau Special Administrative Region of the People’s Republic of China (“Macau”), City of Dreams, an integrated urban casino 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. The Group, through its subsidiaries, including Studio City International Holdings Limited (“Studio City International Holdings”), which completed its initial public offering with its ADSs listed on the New York Stock Exchange in October 2018, also majority owns and operates Studio City, a cinematically-themed integrated entertainment, retail and gaming resort in Cotai, Macau. In the Philippines, a majority-owned subsidiary operates and manages City of Dreams Manila, a casino, hotel, retail and entertainment integrated resort in the Entertainment City complex in Manila. In Europe, the Group, through majority-owned subsidiaries, ICR Cyprus Holdings Limited and its subsidiaries (collectively referred to as “ICR Group”), is currently developing the City of Dreams Mediterranean, the integrated casino resort in Limassol, in the Republic of Cyprus (“Cyprus”), and is currently operating a temporary casino in Limassol and three satellite casinos in Nicosia, Larnaca, Ayia Napa with the fourth satellite casino in Paphos opened in February 2020. Upon the opening of City of Dreams Mediterranean, the ICR Group will continue to operate four satellite casinos while operations of the temporary casino will cease. On 31 July 2019, the Company sold its entire shareholding in ICR Cyprus Holdings Limited to Melco Resorts. The consideration was US\$375 million (equivalent to approximately HK\$2,930,054,000), which was satisfied by the issuance of 55,500,738 ordinary shares of Melco Resorts. ICR Cyprus Holdings Limited continues to be a subsidiary of the Company after completion of the transaction and the financial results of ICR Group continue to be consolidated within the consolidated financial statements of the Group after completion via the Group’s controlling interest in Melco Resorts.



## **2.1 BASIS OF PREPARATION**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial instruments which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

The financial information relating to the years ended 31 December 2019 and 2018 that are included in this announcement of annual results for 2019 does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those consolidated 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 set out below:

The Company has delivered the consolidated financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements in its annual report for the year ended 31 December 2019 in due course.

The Company’s auditors have reported on the consolidated financial statements of the Group for both years. The auditor’s reports were unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying its report, and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

## **2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

During the year, there have been a number of new and revised standards that have come into effect which the Group has adopted at their respective effective dates. The adoption of these HKFRSs had no significant financial impact on the results of operations and financial position of the Group, except for the adoption of HKFRS 16 *Leases*.

### **HKFRS 16 *Leases***

HKFRS 16 replaces HKAS 17 *Leases* and the related interpretations when it became effective. HKFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. HKFRS 16 also requires lessees and lessors to make more extensive disclosures than under HKAS 17.

The Group has adopted HKFRS 16 from 1 January 2019 using the modified retrospective method without restating comparative information. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases under HKAS 17 and related interpretations at the date of initial application. The Group also elected to use the recognition exemption allowed by the standard on lease contracts where lease terms end within 12 months as of the commencement date and do not contain a purchase option (“short-term leases”).

The effect of adopting HKFRS 16 as at 1 January 2019 is as follows:

	<b>Effect of Change Increase/ (Decrease) HK\$'000</b>
<b>Consolidated statement of financial position</b>	
<i>Non-current Assets</i>	
Right-of-use assets	8,293,673
Land use rights	(5,387,867)
Property, plant and equipment	(1,529,568)
Prepayments, deposits and other receivables	(9,133)
<i>Current Assets</i>	
Land use rights	(166,057)
Prepayments, deposits and other receivables	(23,966)
<b>Total assets</b>	<b>1,177,082</b>
<i>Non-current Liabilities</i>	
Lease liabilities	1,045,865
Other payables, accruals and deposits received	(137,251)
<i>Current Liabilities</i>	
Lease liabilities	293,083
Other payables, accruals and deposits received	(24,615)
<b>Total liabilities</b>	<b>1,177,082</b>

The adoption of HKFRS 16 did not have an impact on retained profits as at 1 January 2019.

The Group has lease contracts for land, buildings, gaming equipment, transportation assets and furniture, fixtures and equipment. Before the adoption of HKFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair values of the leased assets or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the finance lease liabilities. In an operating lease, the leased asset was not capitalized and the lease payments were recognized as rental expenses in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under “Prepayments, deposits and other receivables” and “Other payables, accruals and deposits received”, respectively.

Upon adoption of HKFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

*Leases previously classified as finance leases*

The Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right-of-use assets and lease liabilities equal the leased assets and liabilities recognized under HKAS 17). The requirements of HKFRS 16 were applied to these leases from 1 January 2019.

*Leases previously classified as operating leases*

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted by any related prepaid or accrued lease payments at the date of initial application. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The lease liabilities as at 1 January 2019 reconcile to the operating lease and other commitments as at 31 December 2018 as follows:

	<i>HK\$'000</i>
Operating lease and other commitments as at 31 December 2018	1,068,857
Weighted average incremental borrowing rate as at 1 January 2019	5.71%
Discounted operating lease commitments as at 1 January 2019	823,550
Less:	
Short-term leases	(1,390)
Leases committed but not yet commenced at 1 January 2019	(92,839)
Add:	
Finance lease liabilities previously recognized as at 31 December 2018	2,255,742
Adjustments as a result of different treatment of termination options	596,894
Others	12,733
	<hr/>
Lease liabilities as at 1 January 2019	3,594,690
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### **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 consolidated financial statements for the year ended 31 December 2019.

### 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 casino and the provision of hospitality services and facilities through Melco Resorts, including ICR Group; and
- (b) the “Others” segment comprises, principally, other gaming, 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 profit for the year before deduction of finance costs, income tax, depreciation and amortization, pre-opening costs, development costs, property charges and other, share-based compensation expenses, payments to SM Investments Corporation, Belle Corporation and PremiumLeisure and Amusement, Inc. (collectively referred to as the “Philippine Parties”), land rent to Belle Corporation, corporate expenses, interest income, other income, gains and losses, net, loss on disposal of investment in an associate and loss on disposal of subsidiaries. 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

Year ended 31 December 2019

	Casino and Hospitality <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment net revenues:</b>			
Sales to external customers (note 4)	44,923,164	64,604	44,987,768
Intersegment sales	20,974	158	21,132
	<u>44,944,138</u>	<u>64,762</u>	<u>45,008,900</u>
Elimination of intersegment sales			<u>(21,132)</u>
Total net revenues			<u><u>44,987,768</u></u>
<b>Adjusted EBITDA</b>	<b>12,498,829</b>	<b>(1,179)</b>	<b>12,497,650</b>
Adjusted items for Adjusted EBITDA:			
Share-based compensation expenses			(403,937)
Depreciation and amortization			(6,065,756)
Pre-opening costs			(29,667)
Development costs			(441,607)
Property charges and other			(195,015)
Payments to the Philippine Parties			(449,850)
Loss on disposal of investment in an associate			(7,593)
Interest income			77,032
Other income, gains and losses, net			(156,034)
Finance costs			(2,894,119)
Corporate expenses			<u>(97,053)</u>
Profit before tax			<u><u>1,834,051</u></u>

## Segment net revenues and results

### Year ended 31 December 2018

	Casino and Hospitality <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment net revenues:</b>			
Sales to external customers (note 4)	40,633,231	91,442	40,724,673
Intersegment sales	<u>61,084</u>	<u>167</u>	<u>61,251</u>
	40,694,315	91,609	40,785,924
Elimination of intersegment sales			<u>(61,251)</u>
Total net revenues			<u><u>40,724,673</u></u>
<b>Adjusted EBITDA</b>	10,862,754	(2,661)	10,860,093
Adjusted items for Adjusted EBITDA:			
Share-based compensation expenses			(289,817)
Depreciation and amortization			(5,163,392)
Pre-opening costs			(398,232)
Development costs			(183,549)
Property charges and other			(253,102)
Payments to the Philippine Parties			(476,414)
Land rent to Belle Corporation			(23,525)
Loss on disposal of subsidiaries			(34,111)
Interest income			47,140
Other income, gains and losses, net			(7,939)
Finance costs			(2,417,089)
Corporate expenses			<u>(97,965)</u>
Profit before tax			<u><u>1,562,098</u></u>

**31 December 2019**

	<b>Casino and Hospitality HK\$'000</b>	<b>Others HK\$'000</b>	<b>Total HK\$'000</b>
<b>Segment assets</b>	<b>99,375,401</b>	<b>437,413</b>	<b>99,812,814</b>
Corporate and other unallocated assets			<u>548,759</u>
Total assets			<u><b>100,361,573</b></u>
<b>Segment liabilities</b>	<b>51,698,830</b>	<b>119,465</b>	<b>51,818,295</b>
Corporate and other unallocated liabilities			<u>6,875,586</u>
Total liabilities			<u><b>58,693,881</b></u>

**31 December 2018**

	<b>Casino and Hospitality HK\$'000</b>	<b>Others HK\$'000</b>	<b>Total HK\$'000</b>
<b>Segment assets</b>	<b>97,003,337</b>	<b>430,678</b>	<b>97,434,015</b>
Corporate and other unallocated assets			<u>592,226</u>
Total assets			<u><b>98,026,241</b></u>
<b>Segment liabilities</b>	<b>50,396,815</b>	<b>88,246</b>	<b>50,485,061</b>
Corporate and other unallocated liabilities			<u>6,838,154</u>
Total liabilities			<u><b>57,323,215</b></u>



## Net revenues from external customers

	2019			2018		
	Casino and Hospitality <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>	Casino Hospitality <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Macau	39,456,905	–	39,456,905	35,570,263	–	35,570,263
Hong Kong	–	64,040	64,040	–	83,178	83,178
The Philippines	4,719,683	564	4,720,247	4,804,682	8,264	4,812,946
Cyprus	742,082	–	742,082	258,286	–	258,286
Japan	4,494	–	4,494	–	–	–
Total	<u>44,923,164</u>	<u>64,604</u>	<u>44,987,768</u>	<u>40,633,231</u>	<u>91,442</u>	<u>40,724,673</u>

## Information about major customers

During the years ended 31 December 2019 and 2018, no individual customer contributed over 10% of the total net revenues of the Group.

## 4. NET REVENUES

### For the year ended 31 December 2019

Segments	Casino and Hospitality <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue from contracts with customers</b>			
Casino gaming	38,989,486	–	38,989,486
Entertainment and resort facilities:			
Rooms	2,741,164	–	2,741,164
Catering service income	1,841,843	57,903	1,899,746
Entertainment, retail and other	1,350,671	–	1,350,671
Electronic gaming machines participation	–	564	564
Others	–	937	937
	<u>44,923,164</u>	<u>59,404</u>	<u>44,982,568</u>
<b>Revenue from other sources</b>			
Property rental income	–	5,200	5,200
Sales to external customers (note 3)	<u>44,923,164</u>	<u>64,604</u>	<u>44,987,768</u>

*For the year ended 31 December 2018*

<b>Segments</b>	<b>Casino and Hospitality HK\$'000</b>	<b>Others HK\$'000</b>	<b>Total HK\$'000</b>
<b>Revenue from contracts with customers</b>			
Casino gaming	35,247,748	–	35,247,748
Entertainment and resort facilities:			
Rooms	2,438,042	–	2,438,042
Catering service income	1,600,437	77,864	1,678,301
Entertainment, retail and other	1,347,004	–	1,347,004
Electronic gaming machines participation	–	8,264	8,264
Others	–	518	518
	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	40,633,231	86,646	40,719,877
<b>Revenue from other sources</b>			
Property rental income	–	4,796	4,796
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Sales to external customers (note 3)	40,633,231	91,442	40,724,673
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**5. LOSS ON DISPOSAL OF INVESTMENT IN AN ASSOCIATE**

On 20 May 2019, the Group disposed of all of its equity holding in an associate, Oriental Regent Limited (“Oriental Regent”) and assigned its outstanding shareholder’s loan to Oriental Regent to an independent third party for an aggregated consideration of HK\$52,000,000, resulting in a loss on disposal of approximately HK\$7,593,000 recognized in profit or loss.

## 6. INCOME TAX

An analysis of the income tax expense/(credit) for the year is as follows:

	2019 HK\$'000	2018 HK\$'000
Current tax:		
Macau Complementary Tax	8,841	5,305
Lump sum in lieu of Macau Complementary Tax on dividends	18,350	18,350
Hong Kong Profits Tax	500	364
Other jurisdictions	27,925	6,616
Sub-total	55,616	30,635
Under/(over)provision in prior years:		
Macau Complementary Tax	298	6,215
Hong Kong Profits Tax	(23)	(18,220)
Other jurisdictions	4,635	(2,587)
Sub-total	4,910	(14,592)
Deferred tax	5,367	(54,113)
Total	65,893	(38,070)

## 7. DIVIDENDS

Dividends recognized as distributions during the year:

	2019 HK\$'000	2018 HK\$'000
2019 Interim – HK6.11 cents (2018: 2018 Interim of HK4.5 cents) per share	92,501	69,029
2018 Final – HK2.35 cents (2018: 2017 Final of HK4.0 cents) per share	35,577	61,484
Assured Entitlement Distribution ( <i>note</i> )	–	37,376
	128,078	167,889

Subsequent to the end of the reporting period, the Board has recommended a final dividend of HK3.01 cents (2018: HK2.35 cents) per share, totaling approximately HK\$45,591,000 (2018: HK\$35,577,000), for the year ended 31 December 2019, to the shareholders of the Company. The final dividend is subject to shareholders' approval at the forthcoming annual general meeting.

*Note:*

In October 2018, Studio City International Holdings, a subsidiary of the Company, was spun-off by separately listing its ADSs on the New York Stock Exchange (the “Global Offering”). Pursuant to Practice Note 15 of the Listing Rules, in connection with the Global Offering, the Company made an assured entitlement distribution to the shareholders of the Company for a certain portion of the ADSs of Studio City International Holdings, by way of a distribution in specie, or distribution of the ADSs of Studio City International Holdings in kind, and for those shareholders of the Company who were entitled to fractional ADSs, elected to receive cash in lieu of ADSs or were not eligible to receive cash (“Assured Entitlement Distribution”). Concurrently with the Global Offering as a separate transaction, the Company had subscribed 800,376 Class A Ordinary Shares of Studio City International Holdings, equivalent to 200,094 ADSs, needed for the distribution in specie. On 2 November 2018, the Company declared the Assured Entitlement Distribution and the distribution of HK\$37,376,000 was recognized as a dividend distribution for the year ended 31 December 2018.

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	<b>689,772</b>	522,571
Effect of dilutive potential ordinary shares:		
Adjustment in relation to share options and awarded shares issued by the subsidiaries of the Company	<u>(8,720)</u>	<u>(11,861)</u>
Earnings for the purpose of diluted earnings per share	<u><b>681,052</b></u>	<u>510,710</u>
	<b>2019 '000</b>	2018 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,513,806</b>	1,529,367
Effect of dilutive potential ordinary shares:		
Share options and awarded shares issued by the Company	<u><b>6,643</b></u>	<u>7,341</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><b>1,520,449</b></u>	<u>1,536,708</u>

The number of shares adopted in the calculation of the basic and diluted earnings per share has been derived by excluding the shares of the Company held under a trust arrangement 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 profit attributable to the Company as adjusted to reflect the dilution effect of the share options and awarded shares issued by the subsidiaries of the Company. For the years ended 31 December 2019 and 2018, the Company had outstanding share options and awarded shares that would potentially dilute the earnings per shares.

## 9. TRADE RECEIVABLES

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 1 month	1,398,460	1,376,669
More than 1 month but within 3 months	226,623	316,695
More than 3 months but within 6 months	278,720	292,183
More than 6 months	926,054	229,760
	<u>2,829,857</u>	<u>2,215,307</u>
Allowance for doubtful debts	(583,613)	(315,415)
	<u>2,246,244</u>	<u>1,899,892</u>
Less: Non-current portion	(30,200)	(41)
	<u>2,216,044</u>	<u>1,899,851</u>

## 10. OTHER FINANCIAL ASSETS

		2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
	<i>Notes</i>		
<b>Current assets</b>			
Financial assets at fair value through profit or loss	(a)	384,539	717,356
Restricted cash		292,178	377,151
		<u>676,717</u>	<u>1,094,507</u>
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	(b)	4,498,436	–
Restricted cash		159,649	166,736
Amount due from an associate	(c)	–	38,645
		<u>4,658,085</u>	<u>205,381</u>

*Notes:*

- (a) As at 31 December 2019 and 31 December 2018, the amount represents investments in mutual funds that mainly invest in bonds and fixed interest securities which are considered as marketable equity securities. During the year ended 31 December 2019, the Group sold certain mutual funds units amounting to HK\$389,352,000. For the year ended 31 December 2019, an increase in fair value of HK\$52,266,000 (2018: decrease in fair value of HK\$866,000) was recognized in “Other income, gains and losses, net” in profit or loss.
- (b) As of 31 December 2019, the amount represents the investments in the marketable equity securities, which comprised shares of Crown Resorts Limited (“Crown”) of HK\$4,431,451,000 and EHang Holdings Limited (“EHang”) of HK\$66,985,000.

*Investment in Crown*

On 30 May 2019, Melco Resorts executed a definitive purchase agreement, as amended on 28 August 2019 (collectively, the “Share Sale Agreement”) pursuant to which Melco Resorts agreed to, through its subsidiary, acquire and an independent third party, CPH Crown Holdings Pty Limited (“CPH”), agreed to sell, an aggregate of 135,350,000 shares of Crown, an Australian-listed corporation, representing approximately 19.99% of the issued shares of Crown, in two equal tranches at Australian dollars (“AUD”) 13.00 per share and as to which the first tranche of the acquisition of approximately 9.99% issued shares of Crown was completed on 6 June 2019, and, accordingly, the Group recognized HK\$4,832,282,000 as financial assets at fair value through profit or loss. For the year ended 31 December 2019, a decrease in fair value of HK\$376,353,000 was recognized in “Other income, gains and losses, net” in profit or loss.

On 6 February 2020, Melco Resorts agreed with CPH to terminate the obligation to purchase a second tranche of approximately 9.99% issued shares of Crown as contemplated under the Share Sale Agreement at no consideration.

*Investment in Ehang*

On 12 December 2019, the Company acquired 800,000 ADSs (1,600,000 Class A ordinary shares) at the offer price of US\$12.50 per ADS in the initial public offering of EHang, a company with its ADSs listed on the Nasdaq Global Market. The 1,600,000 Class A ordinary shares held by the Company represented approximately 1.46% of the total issued ordinary shares (including both Class A and Class B ordinary shares) of EHang on 12 December 2019. The Group recognized the investment as financial assets at fair value through profit or loss of HK\$78,280,000. For the year ended 31 December 2019, a decrease in fair value of HK\$11,294,000 was recognized in “Other income, gains and losses, net” in profit or loss.

- (c) As at 31 December 2018, amount due from an associate was unsecured, non-interest-bearing and repayable on 15 July 2020. The amount was fully settled during the year ended 31 December 2019 upon the disposal of the associate as further disclosed in note 5.

## 11. TRADE PAYABLES

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

	2019 HK\$'000	2018 HK\$'000
Within 1 month	154,728	163,994
More than 1 month but within 3 months	13,898	21,897
More than 3 months but within 6 months	3,351	12,450
	<u>171,977</u>	<u>198,341</u>

## 12. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2019 HK\$'000	2018 HK\$'000
<b>Current liabilities</b>		
Outstanding gaming chips and tokens liabilities	3,686,769	5,002,012
Advance customer deposits and ticket sales	1,993,084	3,080,799
Gaming tax and license fee payables	1,696,236	1,751,763
Accrued employee benefits expenses	1,330,459	1,151,619
Accrued operating expenses and other liabilities	1,022,433	1,067,519
Payable for acquisition of property, plant and equipment	538,195	494,951
Interest payable	395,866	129,294
Loyalty program liabilities	308,375	365,958
Construction costs payable	222,630	214,992
Amounts due to related companies	3,740	63,659
Dividends payable	1,221	37,221
	<u>11,199,008</u>	<u>13,359,787</u>
<b>Non-current liabilities</b>		
Other liabilities	86,353	13,955
Accrued employee benefits expenses	61,804	46,364
Deposits received	25,480	34,414
Deferred rental income	–	137,251
	<u>173,637</u>	<u>231,984</u>

### 13. MRP SHARE INCENTIVE PLAN

On 22 May 2019, Melco Resorts and Entertainment (Philippines) Corporation (“MRP”), a majority-owned subsidiary, offered to all eligible participants of its share incentive plan (the “MRP Share Incentive Plan”) the option to retire all outstanding equity awards, including the unvested share options, vested but unexercised share options and unvested restricted shares (collectively, the “Outstanding Awards”) by the payment of cash to the eligible participants (the “SIP Retirement Arrangements”) in light of the delisting of MRP. The acquiescence of such SIP Retirement Arrangements was obtained from the Philippine Securities and Exchange Commission on 17 May 2019. As a result of all eligible participants electing to participate in the SIP Retirement Arrangements, all the Outstanding Awards, including a total of 15,971,173 outstanding share options (including both unvested and vested but unexercised share options) and 29,068,424 outstanding restricted shares under the MRP Share Incentive Plan, were irrevocably cancelled and extinguished pursuant to the SIP Retirement Arrangements on 31 May 2019 (the “SIP Modification”).

Under the SIP Retirement Arrangements, MRP will pay the eligible participants a fixed amount in cash (“Settlement Amount”) according to the original vesting schedules of the outstanding share options and restricted shares, subject to other terms and conditions. The Settlement Amount of the outstanding restricted shares is PHP7.25 per share, based on the offer price of the tender offer in 2018 and the Settlement Amount of the outstanding share options which was determined using the Black-Scholes valuation model. The weighted average fair value of the outstanding share options at the modification date was PHP4.23 per option.

As a result of the SIP Modification, on 31 May 2019, the Group recognized a liability of HK\$35,139,000 with a corresponding reduction in non-controlling interests of HK\$40,726,000 and an increment in the exchange reserve of HK\$5,587,000 for modification of all the Outstanding Awards from equity-settled to cash-settled, with other terms unchanged. Since the fair values of the modified awards and the original awards were the same on the modification date, no incremental share-based compensation expenses resulted. At the end of each reporting period until the liability is settled, the liability is accrued for the outstanding awards as they become vested at the Settlement Amount, with a corresponding share-based compensation expense recognized in profit or loss for the period.

As at 31 December 2019, the accrued liability associated with the Outstanding Awards under the SIP Modification was HK\$11,672,000. No fair value gain or loss on remeasurement of the liability associated with the Outstanding Awards under the SIP Modification was recognized for the year ended 31 December 2019.



#### **14. SUBSEQUENT EVENTS**

In connection with the outbreak of the coronavirus (Covid-19) in the first quarter of 2020, severe travel restrictions, temporary business closures and other prohibitions have been imposed by the People's Republic of China ("PRC"), Macau, the Philippines, Cyprus and other countries throughout the world, which has significantly disrupted the Group's operations. On 5 February 2020, the Group's Macau casino operations were suspended for a 15-day period. On 20 February 2020, casino operations resumed in Macau with limited visitation from Hong Kong, Taiwan and certain regions of the PRC among other countries. In March 2020, the Macau government, the Hong Kong government and several provinces in the PRC, including Guangdong, imposed further entry bans, restrictions and quarantine requirements on nearly all visitors travelling to and from Macau, which is expected to significantly impact the Group's casino and resort operations.

On 15 March 2020, Philippine Amusement and Gaming Corporation ordered the suspension of all casino operations in Metro Manila, which includes the City of Dreams Manila, from 16 March 2020 until 14 April 2020, subject to further review and change.

Also on 15 March 2020 and thereafter, the Cyprus government suspended the Group's casino operations in Cyprus for four weeks from 16 March 2020 and placed restrictions on non-essential social and business activities from 24 March 2020 to 13 April 2020 such as suspension of most construction work within the country, including construction work at City of Dreams Mediterranean development. The restriction dates are subject to further review and change by the Cyprus government.

The Covid-19 outbreak and the related events have also caused severe disruptions to the Group's resort tenants and other business partners, which may increase the risk of these entities defaulting on their contractual obligations with the Group.

The disruptions to the Group's business had material adverse effects on its financial condition and operations during the first quarter of 2020. As the disruptions are ongoing, the Group expects such adverse effects will continue, and may worsen beyond the first quarter of 2020. The Group is unable to reasonably estimate the financial impact to the Group's future results of operations, cash flows and financial condition due to uncertainties surrounding the business closures, travel restrictions and other events related to the Covid-19 outbreak.

## CHAIRMAN & CEO'S STATEMENT

Dear Shareholders,

Rarely has the difference between the recent past and the immediate future been as stark as it is today. Looking back to 2019, we have much to be proud of, with our resorts receiving a record breaking number of stars from the Forbes Travel Guide (“FTG”), our restaurants placing us first globally for the number of Michelin stars won by an integrated resort operator, and our iconic show The House Of Dancing Water being named Asia’s “Best Integrated Resorts Non-Gaming Attraction” at the Global Gaming Expo (G2E) Asia Awards 2019.

This commitment to excellence, desire to push boundaries and ability to set new standards translated to a strong performance across the board last year. The operating environment in 2019 was by no means straightforward, with global economic growth threatened by the Sino-US trade war. At the same time, the Asian markets were impacted by the economic slowdown in China and social unrest in Hong Kong in the second half of 2019. Still, we were able to increase our Macau mass table revenues by approximately 17% and, in contrast to the market-wide decline, we increased our VIP revenues modestly, expanding the Group’s market share by approximately 180 basis points to 16%.

Continued hard work and dedication from the entire workforce and all our partners delivered a year of strong and stable performance, with net revenues growing by 10.5% to HK\$45.0 billion, profit increasing by 10.5% to HK\$1.8 billion, and Adjusted EBITDA growing 15.1% to HK\$12.5 billion. Despite the year’s inherent obstacles, the Group’s luck-adjusted EBITDA reached an all-time record high in 2019, and we finished the year with the fourth quarter setting new records.

So, while 2020 will inevitably be dominated by the unfolding of the Covid-19 crisis, we enter this year of uncertainty in the best of financial and operational health. Our modest gearing ratio, recent cost cutting measures and CapEx deferrals allow us to maintain our regular dividend programme and position us well to counter the hurdles posed by Covid-19.

We are long-term thinkers and acutely aware that a rolling programme of re-investment and improvement is key to retaining existing and attracting new guests. In 2019, this was proven by significant returns in both revenue and visibility from our iconic Macau hotel Morpheus which opened in mid-2018. In fact, this ultra-luxurious destination has been so popular that we are already increasing the number of villas contained within the hotel. However, our big news is that work has begun on our next major landmark, Studio City Phase 2, centering around two striking hotel towers that will incorporate approximately 900 luxury rooms and suites. Phase 2 will also be home to one of the world’s largest indoor water parks, a cineplex and state-of-the-art meetings, incentives, conventions and exhibitions (“MICE”) facilities. Meanwhile, renovation of Nüwa at City of Dreams was also started in early 2020.

The year also saw our management team increase their activities around the opportunity being created by the Japan government's successful introduction of their Integrated Resorts Implementation Bill. In September 2019, the Group announced its 'Yokohama First' strategy, focusing its efforts on Japan's second largest city which boasts an excellent location, well established communication links, and an exciting downtown harbour-front site for the resort.

We remain committed to becoming a global integrated resort operator as we continue to work extensively outside of Asia. Construction work at City of Dreams Mediterranean, Cyprus' first integrated casino resort, is making good progress. It is expected to become Europe's largest premier integrated resort upon completion.

However, none of these impressive results or achievements would have been possible without the unstinting support of the people and communities where we operate. Being good partners, good neighbours and good citizens has always been a vital aspect of our 21st century company. Following last year's launch of our bold and ambitious sustainability strategy, "Above and Beyond", we have surged ahead with many key environmental initiatives, and in February 2020, the global environmental disclosure system CDP rated the Group as one of China's leading companies in the sphere of sustainability.

As the world tackles an unwanted by-product of globalization, we must rally around our core assets, protect our colleagues, their families, our guests and the communities where we operate, and plan for recovery and renewal. It is in times like these that we are reminded of the importance of strong leadership, especially from the government, and I firmly believe that the authorities with whom we maintain very close relationships, will lead us successfully through these difficult months ahead.

Last, I would like to express my heartfelt thanks to our board of directors, our shareholders, our employees and our partners for their enthusiasm and support for our ambitions over the past years. It is you that have secured our future as a pioneer in premium gaming, hospitality and entertainment.

With best wishes,

**Ho, Lawrence Yau Lung**

*Chairman and Chief Executive Officer*

## **MANAGEMENT DISCUSSION & ANALYSIS**

### **SIGNIFICANT EVENTS AND DEVELOPMENTS**

Melco International has, since its inception, been at the forefront of delivering high quality leisure, gaming and entertainment to premium Asian audiences. The Group built its pioneering reputation by creating unique world-class resorts that offer guests experiences they will not find anywhere else. 2019 has seen the Company strengthen and enhance its core assets in Macau and the Philippines, while seeking to expand our global footprint in Japan and Europe.

Giving guests a constantly evolving contemporary experience lies at the heart of the Group's DNA, and creating destinations that are iconic in nature and unsurpassed in luxury is where we excel. So the next phase of expansion in Macau marks an exciting new chapter both for us and the city as a whole.

Following the tremendous success of Morpheus in Macau, construction on the further expansion of Studio City is progressing. Upon completion, it will offer approximately 900 additional luxury hotel rooms and suites, one of the world's largest indoor water parks, a cineplex, fine-dining restaurants and state-of-the-art MICE spaces. We have also started renovation work on Nüwa at City of Dreams.

Entering the second year of operations, Morpheus remains one of Macau's top attractions and continues to attract customers with its futuristic-looking design and best-in-class leisure and entertainment offerings. Morpheus is the first and only establishment in the world to attain FTG Five-Star awards across its entire collection of hotel, spa and dining facilities only after a year of its grand opening at the 2020 FTG.

Japan continues to be a core target for us. In September last year, we announced our 'Yokohama First' policy as we get our Japan team to plan on bringing to Yokohama the best integrated resort the world has ever seen. In December, we submitted our integrated resort proposal to the Yokohama municipal government and we continue to actively engage with the Yokohama officials to illustrate our plans.

In Cyprus, the construction of City of Dreams Mediterranean is progressing. Following the launch of Cyprus Casinos ("C2") including a temporary casino in Limassol and the satellite casinos in Nicosia and Larnaca in 2018, the Ayia Napa satellite casino opened its doors to the public in July 2019, while the last satellite casino in Paphos recently launched in February 2020.

We took the decision to reassess our non-core investments as the Covid-19 outbreak began to affect tourism in Asia and the rest of the world. As we intend to focus on our key investments currently earmarked for Macau, Manila, Cyprus and Japan, we decided not to pursue our planned investment in Australia for the second tranche of shares in Crown. We believe this decision can preserve our capital to be deployed on our core assets.

We continue to prioritize sustainability in our operations. In March 2019, we became the first and only hospitality group and integrated resort signatory of the New Plastics Economy Global Commitment, a global initiative to tackle plastic waste and pollution, led by the Ellen MacArthur Foundation in collaboration with UN Environment. In December 2019, we became the first integrated resort and hotel operator in Hong Kong and Macau to receive ISO 41001:2018 for its efforts in facilities management systems.

## **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 casino gaming and entertainment casino resort facilities in Asia and Europe. As of 31 December 2019, Melco International, through its subsidiary, holds approximately 55.8% of the total issued shares of Melco Resorts.

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

Beyond Macau, in the Philippines, a Philippine subsidiary of Melco Resorts currently operates and manages City of Dreams Manila, a casino, hotels, retail and entertainment integrated resort in the Entertainment City complex in Manila. In Cyprus, with the completion of the purchase of all of Melco International's ordinary shares of ICR Cyprus Holdings Limited ("ICR Cyprus") in July 2019, which represents a 75% equity interest in ICR Cyprus, Melco Resorts is currently developing the City of Dreams Mediterranean integrated resort project and operating C2 including a temporary casino in Limassol and four satellite casinos.

Despite ongoing challenges in the global economy, Melco International managed to achieve stable operating and financial results in 2019. With net revenues at HK\$45.0 billion, profit for the year increased by 10.5% to HK\$1.8 billion, while Adjusted EBITDA grew 15.1% to HK\$12.5 billion.

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

City of Dreams in Macau is Melco Resorts' flagship integrated resort, a premium-focused property targeting high-end customers and rolling chip players from regional markets across Asia. The property operated, on average, 516 gaming tables and 822 gaming machines in 2019. City of Dreams is currently being upgraded through its Phase 3 development, which includes extensive renovation on the mass gaming floor with newly designed gaming spaces and the significantly upgraded VIP gaming areas on the second floor of City of Dreams.

Building on the synergies created by its spectacular gaming and non-gaming entertainment offerings, including the world's largest water extravaganza The House of Dancing Water, and strong retail and restaurant offerings, City of Dreams has consistently strengthened its position as the leading premium-mass market leisure destination in Macau.

After the opening of Morpheus in June 2018, renovation of Nüwa was recently started, and The Countdown hotel will also be redeveloped in the future and rebranded as Libertine, a funky rebel branded hotel with guestrooms that are ultra-cool.

Each of these hotels in City of Dreams will offer guests an array of premium and luxury experiences while retaining its own distinctive design and the same dedication to style, quality and attention to detail.

### ***Studio City***

The Hollywood-inspired and cinematically-themed integrated entertainment, retail and gaming resort Studio City is designed to be the most diversified entertainment offering in Macau. The property operated on average 293 gaming tables and 947 gaming machines in 2019.

Construction on the Phase 2 expansion of Studio City is progressing which will further elevate the integrated resort to offer a significant point of differentiation from all other Macau resorts. Upon completion, it will offer approximately 900 additional luxury hotel rooms and suites, one of the world's largest indoor water parks, a cineplex, fine-dining restaurants and state-of-the-art MICE spaces.

### ***Altira Macau***

Altira Macau is a casino and hotel designed to cater to Asian rolling chip customers sourced primarily through gaming promoters. Located in Taipa, it offers an oasis of sophistication with spectacular panoramic views of the Macau Peninsula. Through delivering impeccable services customized to each guest, both Altira Macau and Altira Spa have attained the highest FTG Five-Star recognition for eleven consecutive years since 2010. Altira Macau operated on average 103 gaming tables and 178 gaming machines, operated as a Mocha Club, at Altira Macau in 2019.

### ***Mocha Clubs***

Mocha Clubs comprises the largest non-casino based operations of electronic gaming machines in Macau. As a pioneer in Macau's electronic gaming industry, Mocha Clubs has brought a series of innovative and top quality electronic gaming machines from around the world to offer a contemporary entertainment mix to broader visitors. Mocha Clubs operated eight clubs with a total of 1,478 gaming machines (including 178 gaming machines at Altira Macau) in 2019.

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

Beyond Macau, City of Dreams Manila, strategically located at the gateway of Entertainment City, provides an unparalleled entertainment and hospitality experience for the Southeast Asia market and continues to set the benchmark for the Group's robust capacity to execute on its international vision. This dynamic property boasts the ultimate entertainment, hotel, retail, dining and lifestyle experiences with aggregated gaming space, including VIP and mass-market gaming facilities of an average of 311 gaming tables and 2,265 gaming machines in 2019.

### ***City of Dreams Mediterranean and Cyprus Casinos***

In July 2019, Melco Resorts completed the acquisition of all of Melco International's ordinary shares of ICR Cyprus, which represents a 75% equity interest in ICR Cyprus, a joint venture company which is developing the City of Dreams Mediterranean integrated resort project in Cyprus. ICR Cyprus holds a 30-year casino-gaming license commencing from June 2017, of which the first 15 years are exclusive.

City of Dreams Mediterranean, the first integrated resort in Cyprus, will become Europe's largest premier integrated resort and help enhance Cyprus' efforts to become a must-visit global tourism destination upon completion. It is currently expected to attract 300,000 tourists annually in its first year of operation. Its 7,500-square-metre gaming area comprises over 100 tables and over 1,000 state-of-the-art slot machines, a 500-room five-star hotel, five world-class international restaurants and cafeterias, large recreation and wellness facilities, high-end brand name luxury retail outlets, a 1,500-seat outdoor amphitheatre and 9,600-square-metres of MICE facilities and an Expo Centre.

In advance of the opening of City of Dreams Mediterranean, the temporary casino C2 Limassol opened its doors in June 2018. Spanning 4,600 square metres overall, the gaming area at C2 Limassol is a spacious 1,300 square metres and features 33 tables and up to 289 slot machines. Following the two C2 satellite casinos launched in Nicosia and Larnaca in 2018, the C2 satellite casino in Ayia Napa opened its doors in July 2019, while the last C2 satellite casino recently commenced operations in Paphos in February 2020. In July 2019, C2 celebrated an important milestone by welcoming its one-millionth visitor.

Operations of C2 Limassol will cease when City of Dreams Mediterranean is launched, while the four C2 satellite casinos will continue their operations.



In collaboration with the Department of Antiquities in Archaeological Heritage Management of the Cypriot government, in July 2019, Melco Resorts announced a unique CSR initiative that will support the government's efforts to sustainably preserve and promote Cyprus' culture. The initiative will actively promote the authenticity of the island's most significant heritage sites by sponsoring heritage enhancements and the accessibility and display of information to significantly improve tourist experiences.

The Group is committed to helping Cyprus achieve the goal of becoming a year-round business and leisure travel destination through the launch of City of Dreams Mediterranean and C2, as well as the implementation of its goodwill projects in Cyprus.

## **OUTLOOK**

2020 promises to be a very difficult year for global integrated resort operators. The recent Covid-19 outbreak, along with travel bans, visa restrictions and suspended flights, are poised to hit global tourism and impact the number of visitors to all our integrated resorts.

Meanwhile, the Sino-US trade war continues to weigh on the global economy as the second phase of the trade agreement remains uncertain. Within Asia, we expect competition between integrated resort operators to intensify and the Macau VIP market will continue to face challenges. Any prolonged social disruption in Hong Kong may also negatively impact the number of tourists travelling to the region.

While we expect the situation to continue to be challenging at the start of 2020, we remain optimistic about the long-term prospects of Macau as it continues to integrate into the Greater Bay Area, which will enable inbound tourism to increase steadily.

We continue to view the Hong Kong-Zhuhai-Macau Bridge as a long-term game changer for Macau. At the same time, we anticipate the Macau mass gaming market to continue to benefit from the expanding Chinese middle class.

Our Macau-based properties will also continue to be further improved upon with the City of Dreams' Phase 3 development and the Studio City's Phase 2 expansion.

We are confident in Macau's leadership under the new chief executive. The new Macau government has clearly stated its intention to diversify the local economy and to further solidify the Special Administrative Region's status as a world-leading travel and entertainment destination. We remain committed to engage with the new Macau government over the gaming license renewals.

Globally, we expect our commitment to developing world-class hospitality and entertainment facilities will put us in a good position to bring the best experience to our guests, and will see us through the challenging times in the near future.



Japan continues to be a core target for the Group. We believe our focus on the Asian premium segment, a portfolio of high-quality assets, devotion to craftsmanship, dedication to world-class entertainment offerings, market-leading social safeguard systems, established track record of successful partnerships, culture of exceptional guest services, and commitment to employee development puts the Group in a strong position to help Yokohama realize the vision of developing a world-leading integrated resort with a unique, Japanese touch.

In 2019, we took a big step forward in solidifying our position as a pioneer and innovator in premium travel, leisure and entertainment. This could not have been done without the support of our board of directors, shareholders, employees and partners.

## **ACHIEVEMENTS AND AWARDS**

Melco International strives to operate with high standards in corporate governance and corporate social responsibility, both of which are integral to our commitment to strengthen the Group's position as a leading global leisure and entertainment integrated resort operator. Our efforts have continued to be widely acknowledged in 2019.

### **Corporate Governance**

In recognition for our good corporate governance practices, our management team has received prestigious leadership awards from the business and investor community. Our Group Chairman and Chief Executive Officer, Mr. Lawrence Ho, has been honoured as one of the recipients of the "Asian Corporate Director Recognition Awards" by Corporate Governance Asia magazine for eight consecutive years since 2012 and was awarded "Asia's Best CEO" at the Asian Excellence Awards by Corporate Governance Asia magazine for the eighth time in 2019. In addition, the Group has received "Corporate Governance Asia Annual Recognition Award – Icon on Corporate Governance" by Corporate Governance Asia magazine for 14 consecutive years from 2006 to 2019. It is an ongoing proof of our commitment to adopting the best corporate governance practices throughout our business operations. These accolades serve as a testament to the Group's continued dedication to ensuring accountability, fairness and transparency in its relationships with all stakeholders.

The Group places colleagues at the core of our corporate strategy and strives to be a company at which our colleagues choose to work and stay. Melco Resorts was named the "Best Companies to Work for in Asia 2019" in the hospitality sector for Hong Kong and Macau by HR Asia Magazine, recognizing its performance in creating workplace excellence and career opportunities, positive work environments and culture, governance and ethics, and its commitment to people. Melco Resorts also won the "Gold Award in Excellence in Global and Local HR Strategies" at the HR Distinction Awards 2019 and the "Gold Award in Best Mass Recruitment" at the Asia Recruitment Awards 2019 organized by Human Resources Magazine.

## **Corporate Social Responsibility**

Melco International continues to be steadfastly committed to be a responsible partner to our employees and local communities. In April 2019, we brought together our social, environmental and governance achievements and commitments in a new strategy – “Above & Beyond” to further elevate the Group’s commitment as a force for good across all our resorts globally. Being responsible and accountable to all our guests, colleagues and stakeholders has always been central to our business philosophy. The commitment focuses on becoming carbon neutral and zero waste by 2030, while continuing to focus on responsible gaming and promoting good governance and ethics.

Melco Resorts was the first and only hospitality group and integrated resort operator globally to become a signatory to The New Plastics Economy Global Commitment, led by the Ellen MacArthur Foundation in collaboration with UN Environment in the same month.

Our efforts and strong commitment to sustainability and social impact have been recognized by industry-wide awards. In recognition of our efforts in corporate social responsibility, Melco International has attained the “10 Year Plus Caring Company” award from Hong Kong Council of Social Service since 2015 and received the Certificate of Merit in the “Best in ESG Awards – Large Market Capitalization” category in BDO ESG Awards 2019. In addition, Melco Resorts has been awarded the “Socially Responsible Operator of the Year (Land Based)” award at the International Gaming Awards 2019, recognizing its dedication to corporate social responsibility initiatives, especially for promoting responsible gaming measures and programs. It has also been honoured by the Global Gaming Expo (G2E) Asia Awards 2019 for the “Best Corporate Social Responsibility Contribution” award for its dedication to social responsibility. Melco Resorts has been honoured as Gold Award winner at the 2019 Business Awards of Macau for Environmental Performance, highlighting the Company’s excellence in environmental responsibility and sustainable operations.

The Group constantly strives to curate the most unique journeys in hospitality by integrating breakthrough ideas and innovative offerings to transform the guest experience. Morpheus, Nüwa, and Studio City Hotel have been honoured at the Macao Smart Hotel Awards for its use of innovative technology in hospitality by the Macao Post and Telecommunications Bureau. Melco Resorts remains Macau’s first and only organization to achieve the international Green Key standard across its entire portfolio of properties, including Morpheus, Nüwa and The Countdown at City of Dreams, as well as Studio City Hotel and Altira Macau.

In the Philippines, Melco Resorts was honoured by 2019 Sustainable Business Awards Philippines for its outstanding employee development program and efforts to tackle climate change through energy management at City of Dreams Manila.

## **Business Operations**

The Group continues to provide its customers with the most outstanding mix of hospitality, leisure, culinary and entertainment experiences across the world. Melco Resorts won the “Integrated Resort of the Year” award at the International Gaming Awards 2020, honouring the unrivalled innovative entertainment offerings and facilities, customer services, atmosphere, style and design of our integrated resorts.

The Group has attained a record-breaking 107 stars across all its properties in the 2020 FTG, including 19 FTG Five-Star awards and three FTG Four-Star awards. This is a true testament to our impeccable services and distinguished products on offer.

City of Dreams is the only resort worldwide with nine individual FTG Five-Star awards, while Altira Macau and Altira Spa have been honoured with FTG Five-Star recognition for eleven consecutive years from 2010 to 2020.

Morpheus at City of Dreams has become the first and only establishment in the world to attain FTG Five-Star awards across its entire collection of hotel, spa and dining facilities after a year of its grand opening. In addition, Morpheus Spa was awarded the honour of “FTG Spa of the Year”, and the prestigious travel guide described the state-of-the-art facilities and world-class wellness treatments as Macau’s cutting-edge urban oasis.

Since its grand opening in June 2018, Morpheus has received numerous awards in recognition of its stunning architectural design, further reinforcing the Group’s position as a pioneer and innovator in premium travel, leisure and entertainment. Morpheus has become the first in Macau to be honoured with the prestigious architecture and design accolade at Prix Versailles 2019 for Central and Northeast Asia in the Hotels category, and was the winner of the “Design Den” category in the Big Sleep Awards 2019 by National Geographic Traveller (UK). These achievements follow Morpheus being named “2019 Building of the Year” in the Hospitality Architecture Category voted by readers of ArchDaily, and the “Best Hotel Architecture Macau” and “Best New Hotel Construction & Design Macau” at the Asia Pacific Property Awards 2019.

The award-winning spectacle at City of Dreams, The House of Dancing Water, has won the “Best IR Non-Gaming Attraction” award at the Global Gaming Expo (G2E) Asia Awards 2019, underpinning the Group’s position as a leading integrated resort operator globally that constantly strives to excel in what we offer to our guests. The House of Dancing Water is the world’s largest water-based extravaganza that has been showcased to audiences of over 6 million from around the world since its debut in 2010.

The Group's world-class restaurants continue to garner global recognition for their culinary offerings. According to the Michelin Guide Hong Kong Macau 2020, Melco continues to lead as the world's integrated resort operator with the highest number of Michelin-stars, with ten Michelin stars among our signature restaurants across our properties in Macau such as Jade Dragon (three stars), Alain Ducasse at Morpheus (two stars), Pearl Dragon (one star) and Ying (one star). Yí, Voyages by Alain Ducasse at Morpheus, Tenmasa, and Bi Ying were also recommended by the guide. Furthermore, Jade Dragon has once again been named among Asia's 50 Best Restaurants 2019. This is the third consecutive year that the restaurant has received this prestigious award and is ranked the top restaurant in Macau.

All these accolades demonstrate industry-wide recognition from the community for our steadfast commitment to excellence in all aspects of our business, from corporate governance, operational performance to our relentless dedication to customer-centric experiences. We make it our top priority to continue this level of excellence in the Group and to maintaining a market leading position going forward.

## FINANCIAL REVIEW

### RESULTS

<i>HK\$' million</i>	<b>2019</b>	2018	YoY%
Net revenues	<b>44,987.8</b>	40,724.7	10.5%
Adjusted EBITDA	<b>12,497.7</b>	10,860.1	15.1%
Profit attributable to owners of the Company	<b>689.8</b>	522.6	32.0%
Basic earnings per share (HK\$)	<b>0.46</b>	0.34	33.4%

### FINANCIAL POSITION

<i>HK\$' million</i>	<b>2019</b>	2018	YoY%
Total assets	<b>100,361.6</b>	98,026.2	2.4%
Total liabilities	<b>58,693.9</b>	57,323.2	2.4%
Shareholders' equity	<b>16,950.3</b>	16,232.2	4.4%
Net asset value per share attributable to owners of the Company (HK\$)	<b>11.2</b>	10.7	4.8%
Gearing ratio (%)	<b>41.2%</b>	39.6%	N/A

## Net revenues

Net revenues of the Group increased by 10.5% from HK\$40.7 billion for the year ended 31 December 2018 to HK\$45.0 billion for the year ended 31 December 2019. The increase in net revenues was mainly attributable to increased casino gaming revenue as a result of better performance in the mass market table games segment.

<i>HK\$' million</i>	<b>2019</b>	2018	YoY%
<b>Revenue from contracts with customers</b>			
Casino gaming	<b>38,989.5</b>	35,247.8	10.6%
Entertainment and resort facilities:			
Rooms	<b>2,741.2</b>	2,438.0	12.4%
Catering service income	<b>1,899.7</b>	1,678.3	13.2%
Entertainment, retail and other	<b>1,350.7</b>	1,347.0	0.3%
Electronic gaming machines participation	<b>0.6</b>	8.3	-93.2%
Others	<b>0.9</b>	0.5	80.9%
	<b>44,982.6</b>	40,719.9	10.5%
<b>Revenue from other sources</b>			
Property rental income	<b>5.2</b>	4.8	8.4%
	<b>44,987.8</b>	40,724.7	10.5%

## Adjusted EBITDA <sup>(1)</sup>

Adjusted EBITDA for the year ended 31 December 2019 increased by 15.1% to HK\$12.5 billion, compared to HK\$10.9 billion for the year ended 31 December 2018. The improvement in Adjusted EBITDA was mainly attributable to better performance in the mass market table games segment and the commencement of operations of Cyprus Casinos since June 2018.

<sup>(1)</sup> *Adjusted EBITDA is the profit for the year before deduction of finance costs, income tax, depreciation and amortization, pre-opening costs, development costs, property charges and other, share-based compensation expenses, payments to the Philippine Parties, land rent to Belle Corporation, corporate expenses, interest income, other income, gains and losses, net, loss on disposal of investment in an associate and loss on disposal of subsidiaries. Adjusted EBITDA is used by management as the primary measure of the Group's operating performance and to compare our operating performance with that of our competitors. However, Adjusted EBITDA presented in this announcement may not be comparable to other similarly titled measures of other companies operating in the gaming or other business sectors.*

**Profit Attributable to owners of the Company**

Profit attributable to owners of the Company increased by 32.0% from HK\$522.6 million for the year ended 31 December 2018 to HK\$689.8 million for the year ended 31 December 2019. The increase was mainly attributable to better performance in the mass market table games segment and lower pre-opening costs, partially offset by higher employee benefits expenses, higher depreciation and amortization expenses as a result of the opening of Morpheus in June 2018 and higher finance costs.

**Basic Earnings Per Share**

Basic earnings per share increased from HK\$0.34 per share for the year ended 31 December 2018 to HK\$0.46 per share for the year ended 31 December 2019.

**Financial and Operational Performance**

Melco Resorts, a majority-owned subsidiary of the Group as at 31 December 2019, contributed a majority of the financial results of the Group.

The performance of Melco Resorts during the year is described below:

In connection with Melco Resorts' acquisition of a 75% interest in ICR Cyprus from its parent company, Melco International, on July 31, 2019, all periods presented in the unaudited financial results of Melco Resorts have been restated to include the assets and liabilities and financial results of the ICR Cyprus group in accordance with applicable accounting standards.

According to the unaudited financial results of Melco Resorts prepared in accordance with U.S. generally accepted accounting principles, it recorded total operating revenues of US\$5.74 billion for the year ended 31 December 2019, versus US\$5.19 billion for the year ended 31 December 2018. The increase in total operating revenues was primarily attributable to better performance in the mass market table games segment.

Operating income for 2019 was US\$747.7 million, compared with operating income of US\$613.4 million for 2018, representing an increase of 22%.

The Adjusted Property EBITDA<sup>(2)</sup> for the year ended 31 December 2019 was US\$1.69 billion compared to Adjusted Property EBITDA of US\$1.49 billion in 2018. The year-over-year improvement in Adjusted Property EBITDA was mainly attributable to better performance in the mass market table games segment.

Net income attributable to the financial performance of Melco Resorts for 2019 was US\$373.2 million, compared with a net income attributable to the financial performance of Melco Resorts of US\$340.3 million for 2018.

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

For the year ended 31 December 2019, total operating revenues at City of Dreams were US\$3,050.5 million compared to US\$2,543.6 million in 2018. City of Dreams generated Adjusted Property EBITDA of US\$922.8 million in 2019 compared with Adjusted Property EBITDA of US\$756.4 million in 2018.

### ***Gaming Performance***

<i>US\$'million</i>	<b>2019</b>	2018	YoY%
<b>VIP Gaming</b>			
Rolling chip volume	<b>58,285.0</b>	45,359.2	28.5%
Win rate	<b>2.93%</b>	2.88%	N/A
<b>Mass Market</b>			
Table drop	<b>5,509.2</b>	5,010.1	10.0%
Hold percentage	<b>32.3%</b>	30.3%	N/A
<b>Gaming Machine</b>			
Handle	<b>4,419.5</b>	4,291.6	3.0%
Win rate	<b>3.8%</b>	4.5%	N/A

### ***Non-Gaming Performance***

Total non-gaming revenue at City of Dreams in 2019 was US\$404.2 million, compared with US\$348.1 million in 2018.

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(2) *Adjusted Property EBITDA is earnings 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.*



### ***Altira Macau***

For the year ended 31 December 2019, total operating revenues at Altira Macau were US\$465.1 million compared to US\$471.3 million in 2018. Altira Macau generated Adjusted Property EBITDA of US\$51.5 million in 2019 compared with Adjusted Property EBITDA of US\$55.5 million in 2018.

#### ***Gaming Performance***

<i>US\$'million</i>	<b>2019</b>	2018	YoY%
<b>VIP Gaming</b>			
Rolling chip volume	<b>17,577.6</b>	22,368.8	-21.4%
Win rate	<b>3.45%</b>	3.03%	N/A
<b>Mass Market</b>			
Table drop	<b>611.0</b>	529.1	15.5%
Hold percentage	<b>21.7%</b>	19.3%	N/A
<b>Gaming Machine</b>			
Handle	<b>304.6</b>	119.6	154.7%
Win rate	<b>4.2%</b>	5.4%	N/A

#### ***Non-Gaming Performance***

Total non-gaming revenue at Altira Macau was US\$27.5 million in both 2019 and 2018.

### ***Mocha Clubs***

Total operating revenues from Mocha Clubs were US\$117.5 million in 2019 compared to US\$113.4 million in 2018. Mocha Clubs generated US\$23.3 million of Adjusted Property EBITDA in 2019 compared with US\$21.5 million in 2018.

<i>US\$'million</i>	<b>2019</b>	2018	YoY%
<b>Gaming Machine</b>			
Handle	<b>2,510.7</b>	2,483.9	1.1%
Win rate	<b>4.7%</b>	4.6%	N/A



### *Studio City*

For the year ended 31 December 2019, total operating revenues at Studio City were US\$1,355.3 million compared to US\$1,368.4 million in 2018. Studio City generated Adjusted Property EBITDA of US\$415.1 million in 2019 compared with Adjusted Property EBITDA of US\$375.3 million in 2018.

#### *Gaming Performance*

<i>US\$'million</i>	<b>2019</b>	2018	YoY%
<b>VIP Gaming</b>			
Rolling chip volume	<b>10,994.6</b>	21,236.9	-48.2%
Win rate	<b>3.08%</b>	2.97%	N/A
<b>Mass Market</b>			
Table drop	<b>3,488.7</b>	3,272.9	6.6%
Hold percentage	<b>29.1%</b>	26.5%	N/A
<b>Gaming Machine</b>			
Handle	<b>2,598.2</b>	2,479.9	4.8%
Win rate	<b>3.1%</b>	3.4%	N/A

#### *Non-Gaming Performance*

Total non-gaming revenue at Studio City in 2019 was US\$189.3 million, compared with US\$189.0 million in 2018.

### *City of Dreams Manila*

For the year ended 31 December 2019, total operating revenues at City of Dreams Manila were US\$602.5 million compared to US\$612.9 million in 2018. City of Dreams Manila generated Adjusted Property EBITDA of US\$247.1 million in 2019 compared to US\$269.2 million in 2018.

#### *Gaming Performance*

<i>US\$'million</i>	<b>2019</b>	2018	YoY%
<b>VIP Gaming</b>			
Rolling chip volume	<b>8,641.0</b>	11,097.5	-22.1%
Win rate	<b>2.94%</b>	3.21%	N/A
<b>Mass Market</b>			
Table drop	<b>795.4</b>	787.3	1.0%
Hold percentage	<b>31.0%</b>	31.7%	N/A
<b>Gaming Machine</b>			
Handle	<b>3,936.4</b>	3,545.4	11.0%
Win rate	<b>5.4%</b>	5.5%	N/A

### *Non-Gaming Performance*

Total non-gaming revenue at City of Dreams Manila in 2019 was US\$126.0 million, compared with US\$117.1 million in 2018.

### *Cyprus Operations*

Melco Resorts is currently operating a temporary casino, the first casino in the Republic of Cyprus, and four satellite casinos (“Cyprus Casinos”). Upon the opening of City of Dreams Mediterranean, the Company will also continue to operate the four satellite casinos while operation of the temporary casino will cease.

For the year ended 31 December 2019, total operating revenues at Cyprus Casinos were US\$94.7 million compared to US\$33.0 million in 2018. Cyprus Casinos generated Adjusted Property EBITDA of US\$29.8 million in 2019 compared with US\$8.5 million in 2018.

### *Gaming Performance*

<i>US\$'million</i>	<b>2019</b>	2018	YoY%
<b>VIP Gaming</b>			
Rolling chip volume	<b>61.9</b>	—	N/A
Win rate	<b>6.68%</b>	—	N/A
<b>Mass Market</b>			
Table drop	<b>143.7</b>	73.8	94.6%
Hold percentage	<b>20.8%</b>	18.7%	N/A
<b>Gaming Machine</b>			
Handle	<b>1,176.1</b>	357.6	228.9%
Win rate	<b>5.2%</b>	5.4%	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 31 December 2019, the Group’s bank balances and cash (including bank deposits with original maturities over three months) amounted to HK\$11,213.1 million (2018: HK\$11,932.8 million) and investments in mutual funds that mainly invest in bonds and fixed interest securities amounted to HK\$384.5 million (2018: HK\$717.4 million).

As at 31 December 2019, the Group had available unused banking facilities of HK\$10.5 billion (2018: HK\$2.6 billion).

Major changes in our indebtedness during the year ended 31 December 2019 are summarized below:

On 22 January 2019, the Group initiated a conditional tender offer (the “Conditional Tender Offer”) to purchase the outstanding balance of US\$825 million 8.5% senior notes due 2020 (the “2020 Senior Notes”) in an aggregate principal amount of US\$425.0 million (equivalent to approximately HK\$3.3 billion) with accrued interest. The Conditional Tender Offer expired on 4 February 2019 with an US\$216.5 million (equivalent to approximately HK\$1.7 billion) aggregate principal amount of the notes tendered.

On 11 February 2019, the Group issued US\$600.0 million (equivalent to approximately HK\$4.7 billion) in an aggregate principal amount of 7.25% senior notes due 2024. The net proceeds were used to fund the Conditional Tender Offer, and to redeem the remaining outstanding 2020 Senior Notes in an aggregate principal amount of US\$208.5 million (equivalent to approximately HK\$1.6 billion) with accrued interest on 13 March 2019.

On 26 April 2019, the Group issued US\$500.0 million (equivalent to approximately HK\$3.9 billion) in an aggregate principal amount of 5.25% senior notes due 2026 (the “2026 Senior Notes”). The net proceeds were used to partially repay an outstanding revolving credit facility. On 8 May 2019, the Group repaid HK\$3.98 billion in an aggregate principal amount of a revolving credit facility, together with accrued interest and associated cost, from the net proceeds of the 2026 Senior Notes and cash on hand. On 4 June 2019, the Group drew down HK\$3.93 billion from a revolving credit facility to partly fund the acquisition of 67,675,000 shares of Crown, which represent approximately 9.99% stake in Crown.

On 17 July 2019, the Group issued US\$600.0 million (equivalent to approximately HK\$4.7 billion) in an aggregate principal amount of 5.625% senior notes due 2027 (the “2027 Senior Notes”). On 24 July 2019, the Group used the net proceeds of the 2027 Senior Notes and cash on hand to partially repay an outstanding revolving credit facility in aggregate principal amount of HK\$4.64 billion, together with accrued interest and associated costs.

On 4 December 2019, the Group issued US\$900.0 million (equivalent to approximately HK\$7.0 billion) in an aggregate principal amount of 5.375% senior notes due 2029 (the “2029 Senior Notes”). On 10 December 2019 and 12 December 2019, the Group used the net proceeds of the 2029 Senior Notes and cash on hand to fully repay an outstanding revolving credit facility in aggregate principal amount of HK\$4.2 billion and partially prepay an outstanding term loan in aggregate principal amount of HK\$2.8 billion, together with accrued interest and associated costs.

The availability period of an unsecured credit facility amounted to Philippine Peso2.35 billion (equivalent to HK\$360.7 million) was extended from 31 May 2019 to 31 May 2020, on substantially similar terms as before, except that (i) the Philippine Dealing System Treasury Reference Rates PM is replaced by PHP BVAL Reference Rates and (ii) the applicable interest rate margin is amended from a predetermined rate to a rate to be mutually agreed by the bank and the borrower at the time of drawdown. This credit facility is available for future drawdown, subject to satisfaction of certain conditions precedent.

### **Gearing Ratio**

The gearing ratio, expressed as a percentage of total interest-bearing borrowings divided by total assets, was at 41.2% as at 31 December 2019 (2018: 39.6%).

### **Pledge of Assets**

As at 31 December 2019, borrowings amounting to HK\$13,446.9 million (2018: HK\$30,953.3 million) were secured by the following assets of the Group:

- (i) certain property, plant and equipment;
- (ii) investment properties;
- (iii) certain land and all present and future buildings on and fixtures to such land, and land use rights (or equivalent);
- (iv) certain bank deposits;
- (v) chattels, receivables and other assets including certain inter-group loans; and
- (vi) issued shares of certain subsidiaries of the Group.

### **CONTINGENT LIABILITIES**

The Group had no significant contingent liabilities as at 31 December 2019.

### **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 the hedging transactions with respect to foreign exchange exposure of the revenues and expenses in the day-to-day operations during the period under review. Instead, the Group maintains a certain amount of the operating funds in the same currencies in which the Group has obligations, thereby reducing the exposure to currency fluctuations. However, the Group occasionally enters into foreign exchange transactions as part of financing transactions and capital expenditure programs.

### **Interest rate risk**

The Group is primarily exposed to cash flow interest rate risk in relation to bank balances, restricted cash and borrowings which carried 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 exposure. The Group attempts to manage equity price risk by managing its portfolio of investments.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

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

## **HUMAN RESOURCES**

### **Headcount and Employees’ Information**

The total number of the Group’s employees was 23,261 as of 31 December 2019 (2018: 22,228). Among these employees, 404 are located in Hong Kong and the balance of 22,857 are located respectively in the Philippines, Japan, Cyprus, Macau, Taiwan and the PRC. The related staff costs for the year ended 31 December 2019, including directors’ emoluments and share-based compensation expenses amounted to HK\$7,590.4 million (2018: HK\$6,893.0 million).

## **Human Resources**

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 policies, systems and practices are directly aligned with the Group's mission and values which contribute to its success.

### ***Recruitment***

Melco International recruits talented people with the necessary professional competencies, desirable personal qualities and commitment to the Group. The Group hires the right people to shape its future. It identifies and validates talent through different recruitment exercises and regularly reviews its recruitment policies and assessment criteria.

### ***Performance and Rewards***

Melco International demands and appreciates high performance. Its reward principle is primarily performance based, and it rewards its people competitively and based on their job responsibilities, performances and contributions to the Group's development as well as their professional and managerial competencies.

### ***Training and Development***

Melco International provides training for employees to develop the skills required to satisfy business needs, which would improve performance, deliver value and enhance personal growth. The Group adopts a systematic approach in designing its training programmes with a special focus on individual and corporate needs. Training objectives and the desired outcomes are first established and the subsequent results from any training are continually reviewed.

## **FINAL DIVIDEND**

Pursuant to the dividend policy announced by the Company on 28 March 2014 (the "Dividend Policy"), it is the Company's intention to provide shareholders with semi-annual dividends in an aggregate amount per year of approximately 20% of the Company's annual consolidated net income attributable to the shareholders. The Dividend Policy also allows the Company to declare special dividends from time to time.

For the year ended 31 December 2019, the Group recorded a profit attributable to shareholders of HK\$689.8 million. The Board has recommended the payment of a final dividend of HK3.01 cents per share (2018: HK2.35 cents per share) for the year ended 31 December 2019 to shareholders whose names appear on the register of members of the Company on Monday, 15 June 2020. The proposed final dividend is subject to approval by the shareholders of the Company at the forthcoming annual general meeting. The proposed dividend is expected to be paid on Thursday, 2 July 2020.

#### **CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING**

The annual general meeting of the Company is scheduled to be held on Friday, 5 June 2020. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 2 June 2020 to Friday, 5 June 2020 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above meetings, all transfer forms accompanied by relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 1 June 2020.

#### **CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND**

The proposed final dividend for the year ended 31 December 2019 is subject to the approval of shareholders of the Company at the forthcoming annual general meeting. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 11 June 2020 to Monday, 15 June 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. The last day for dealing in the Company's shares cum entitlements to the proposed final dividend will be Monday, 8 June 2020. In order to be eligible for the above proposed final dividend, all transfer forms accompanied by relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 10 June 2020.



## **CORPORATE GOVERNANCE CODE**

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures.

The Company has complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) (the “Listing Rules”) throughout the year ended 31 December 2019, apart from the deviations mentioned below.

- (1) Under Paragraph A.2.1 of the CG Code, the roles of chairman and chief executive officer of a listed company should be separate and performed by different individuals. However, in view of the current composition of the Board, the in-depth knowledge of Mr. Ho, Lawrence Yau Lung of the operations of the Group and of the gaming and entertainment sector, 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.
- (2) Following the retirement of Dr. Tyen Kan Hee, Anthony as an Independent Non-Executive Director of the Company on 13 June 2019, (i) the number of Independent Non-Executive Directors fell below the minimum number of three and the number of Independent Non-Executive Directors could not represent at least one-third of the Board, as required under Rules 3.10(1) and 3.10A of the Listing Rules and (ii) the chairman positions of the Audit Committee and the Nomination Committee were vacated such that the number of Independent Non-Executive Directors on the Audit Committee did not meet the majority requirement under Rule 3.21 of the Listing Rules and the Nomination Committee did not meet the chairmanship requirement under Paragraph A.5.1 in Appendix 14 of the Listing Rules.

On 13 September 2019, Mr. John William Crawford was appointed as an Independent Non-Executive Director and the Chairman of both the Audit Committee and Nomination Committee and a member of the Corporate Governance Committee. Following the aforesaid appointments, the Company has complied with the requirements under Rules 3.10(1), 3.10A, 3.21 and Paragraph A.5.1 in Appendix 14 of the Listing Rules.



The Company sets 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
- g. Regulatory Compliance Committee

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

## **SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES**

The Company has adopted its own code for dealing in the Company's securities by Directors and relevant employees who are likely to be in possession of inside information in relation to the securities of the Company (the "Code of Securities Dealings") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code"). We have received confirmation from all Directors that they have complied with the required standards set out in the Code of Securities Dealings throughout the year of 2019.

## **AUDIT COMMITTEE**

The Company has an Audit Committee, which was established for the purpose of reviewing and providing supervision over the Group's financial reporting process and overseeing the Group's risk management and internal control systems.

The Audit Committee, made up of a Non-executive Director and two Independent Non-executive Directors, met three times during the year. At the meetings, the Audit Committee reviewed the accounting principles and practices adopted by the Group, the interim and annual reports of the Group and discussed with the internal auditor, external auditor and management the auditing, risk management, internal control and financial reporting matters.

The Group's annual results for the year ended 31 December 2019 have been reviewed by the Audit Committee and audited by the independent auditor of the Group, Ernst & Young.

## SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this results announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and, consequently, no assurance has been expressed by Ernst & Young on this results announcement.

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

During the year ended 31 December 2019, the Company repurchased a total of 6,000,000 shares of the Company at an aggregate consideration of approximately HK\$95,559,000 (before expenses) on the Hong Kong Stock Exchange. All the repurchased shares were subsequently cancelled.

Particulars of the repurchases during the year are as follows:

Month of share repurchase	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate consideration paid (before expenses) HK\$
May 2019	6,000,000	16.00	15.62	95,559,000

The repurchases were made with a view to enhancing the earnings per share of the Company.

In addition, during the year ended 31 December 2019, the trustee of the Company's Share Purchase Scheme, purchased on the Hong Kong Stock Exchange a total of 8,605,000 shares of the Company at a total consideration of approximately HK\$165,319,000 to satisfy the award of shares to selected participants pursuant to the terms of the rules and trust deed of the Share Purchase Scheme.

Save as disclosed above, during the year ended 31 December 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **MELCO RESORTS' SHARE REPURCHASE**

Reference is made to the circular of the Company dated 25 April 2019 in relation to Melco Resorts' new share repurchase program announced on 8 November 2018 (the "New Share Repurchase Program").

The Company was notified by Melco Resorts that (i) no purchase of ordinary shares of Melco Resorts was made by or on behalf of Melco Resorts under the New Share Repurchase Program during the year ended 31 December 2019, (ii) a total of 3,148,824 ADSs (equivalent to 9,446,472 ordinary shares of Melco Resorts) were repurchased by Melco Resorts on the market, for an aggregate consideration (before expenses) of approximately US\$44.9 million (equivalent to approximately HK\$349.7 million) under the New Share Repurchase Program in March 2020 and (iii) the maximum dollar value of ordinary shares that may yet be purchased by Melco Resorts under the New Repurchase Program is approximately US\$298.8 million (equivalent to approximately HK\$2,327.4 million).

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL 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](http://www.melco-group.com)) and the Hong Kong Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2019 annual report will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Hong Kong Stock Exchange in due course in accordance with the Listing Rules.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the board of directors of the Company 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; two Non-executive Directors, namely Mr. Tsui Che Yin, Frank and Mr. Ng Ching Wo; and three Independent Non-executive Directors, namely Mr. John William Crawford, Mr. Chow Kwong Fai, Edward 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 March 2020