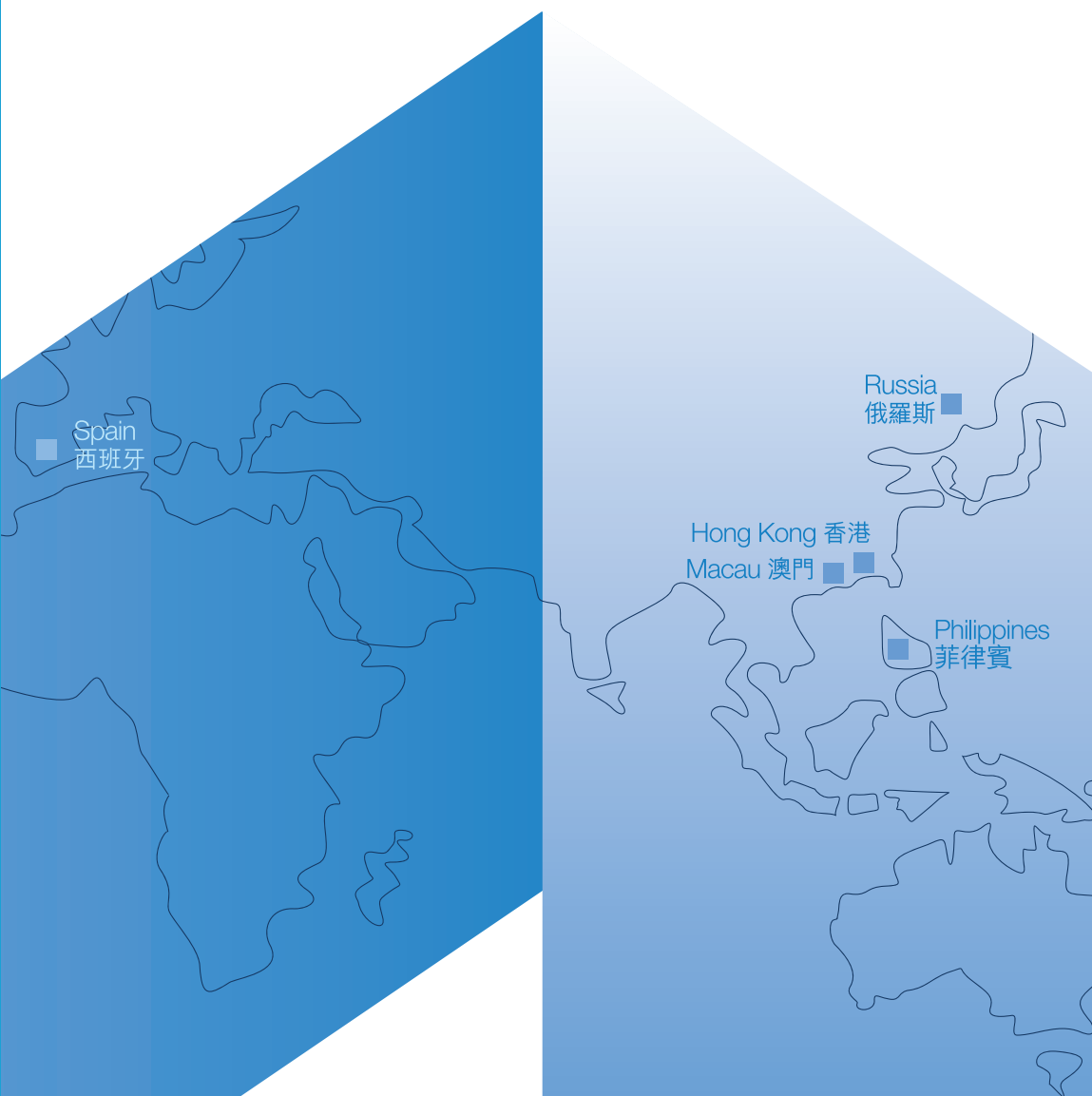


REACHING NEW LEVELS

再創佳績



Melco International Development Limited
新濠國際發展有限公司

A Hong Kong Listed Company 香港上市公司
(Stock Code 股票代號: 200)

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MANAGEMENT DISCUSSION AND ANALYSIS



City of Dreams, the flagship integrated resort under Melco Crown Entertainment in Cotai, Macau, is dedicated to bringing unique world-class entertainment to the region, including The House of Dancing Water and TABOO

Significant Events and Developments

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

The core gaming arm Melco Crown Entertainment Limited (“Melco Crown Entertainment or “MCE”), an associate of the Group, continued to deliver strong improvement, with increasing both group-wide rolling chip revenues and mass market gross gaming revenues. City of Dreams, the unique world-class flagship integrated resort designed for premium mass market customers, continues to

expand its customer base as it boosts its profitability in the highly competitive market, underscoring the success of its unique customer experience offerings. Studio City, the cinematically-themed mass market focused integrated entertainment resort, remains on track to open around mid-2015.

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

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

CORE BUSINESS

Gaming business in Asia

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

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

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

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

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

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



City of Dreams exclusively presented the international illusion master Franz Harary’s inaugural performance in Macau



Viva Fiesta, a ground-breaking water extravaganza featuring the China National Diving Team, National Synchronized Swimming Team and acclaimed singers

Gaming Machine Revenue Participation Business in Southeast Asia

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

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

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

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

In addition, during the first half of 2013, EGT completed its plans to re-strategize its legacy businesses with the divestiture of a low-margin non-gaming business and relocation and repositioning of its gaming products (gaming chips and plaques)



EGT opened its Dreamworld Club in Cambodia in May 2013

division from Australia to Hong Kong to substantially reduce costs and better serve the growing gaming markets in Asia. EGT's gaming chips and plaques business contributed US\$1.6 million to revenue for the period under review. With ongoing product enhancement and diversification, strong customer relationships, and leaner operating structure, EGT's gaming products are expected to be a meaningful contributor to its future earnings.

Lottery Management Business in Asia

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

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

NON-CORE BUSINESSES

Ski Resort Business in China

The Group owns 18.85% of Mountain China Resorts (Holding) Limited (“MCR”), which owns and operates the largest destination ski resort in China, namely Sun Mountain Yabuli Resort in Heilongjiang (“Yabuli Resort”).

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

The Club Med Yabuli business, which was established by a strategic partnership with Club Med Asia S.A. (“Club Med”) to operate and manage two of the hotels at Yabuli Resort, has consistently maintained the sales revenue level as the same period last year and constituted approximately 78% of the total business of Yabuli Resort in the first half of 2013.

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

ACHIEVEMENTS AND AWARDS

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

Corporate Governance

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

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



As a socially responsible company, Melco is committed to giving back to the community and contributing to the sustainable growth of the society

Corporate Social Responsibility

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

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

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

Besides, Melco has been encouraging staff volunteerism throughout the year by innovative measures. It has enhanced its volunteer incentive scheme and also launched the “Melco CSR Wish Fund”, which enables its staff members to contribute to their favorite good causes. This dedication to the community has been



The enthralling hit show TABOO is back on stage at City of Dreams

appreciated within the community as Melco has garnered the Bronze Award for Corporate Volunteer Service 2012 from the Volunteer Movement.

Business Operations

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

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

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

OUTLOOK

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

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

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



The House of Dancing Water, the one-and-only spectacular extravaganza in Macau, is approaching its third anniversary. The show has attracted over two million spectators to date.

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

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

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

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



Teamed up with Franco Dragone, City of Dreams elevates the cabaret experience to the next level with the all new TABOO

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

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

FINANCIAL REVIEW

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

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

SEGMENT RESULTS

Gaming, Leisure and Entertainment

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

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

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

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



The VIP gaming rooms offer exclusive world-class gaming facilities with discreet and attentive service



With enchanting views of Cotai and superlative personalized services, the Chinese culinary masterpiece, Jade Dragon, sets the benchmark for fine dining in Macau

(1) MelcoLot

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

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

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

- (i) The overall increase in revenue and gross profit margin, especially for sales and trading of lottery terminals.
- (ii) Net foreign exchange gain amounted to HK\$3.8 million for the six months ended 30 June 2013 (six months ended 30 June 2012: net foreign exchange loss of HK\$5.6 million included in other expenses).
- (iii) No impairment losses on property, plant and equipment and trade and other receivable for the six months ended 30 June 2013 (six months ended 30 June 2012: HK\$2.7 million and HK\$2.1 million respectively).
- (iv) MelcoLot rationalized retail operations in the PRC and imposed tight cost control measures on expenses during the period. Employee benefits costs were reduced to HK\$6.7 million for the six months ended 30 June 2013, or a decrease of approximately 25% compared to HK\$8.9 million for the corresponding period in 2012.

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



The Michelin-starred restaurant The Tasting Room delivers perfect flavor combinations of contemporary French cuisines with the most seasonal ingredients from around the world

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

(2) Jumbo Kingdom

Jumbo Kingdom includes the Jumbo and Tai-Pak floating restaurants located in Aberdeen, Hong Kong and a restaurant in Beijing, named as J-Kitchen.

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

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

(3) Others

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

Property and Other Investments

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

SHARE OF PROFITS OF ASSOCIATES

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

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

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

(1) Share of profit of Melco Crown Entertainment

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

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

² The Group's interest in Melco Crown Entertainment had decreased from 33.73% to 33.65% as a result of the vesting certain restricted shares and the exercise of share options of Melco Crown Entertainment for the six months ended 30 June 2013.



Altira Macau has been honored the Forbes Five-Star Awards in both Lodging and Spa categories for four consecutive years in 2010-2013

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

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

City of Dreams

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



Melco Crown Entertainment's Philippines Project is set to diversify the tourism and entertainment landscape in the region

Altira

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

Mocha Clubs

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

The Philippines Project

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

(2) Performance of EGT during the review period

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

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

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

LOSS ON DEEMED DISPOSAL OF INTEREST IN AN ASSOCIATE

During the period ended 30 June 2013, the Group's ownership interest in its associate, Melco Crown Entertainment decreased from 33.73% to 33.65% (six months ended 30 June 2012: decrease from 33.65% to 33.57%), as a result of the vesting of certain restricted shares and the exercise of share options of Melco Crown Entertainment. The Group recognised a loss of approximately HK\$32.3 million (six months ended 30 June 2012: HK\$11.7 million) which represents the decrease in net assets attributable to the Group during the periods ended 30 June 2013 and 2012.

UNALLOCATED CORPORATE INCOME

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

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

CENTRAL ADMINISTRATIVE COSTS AND OTHER UNALLOCATED CORPORATE EXPENSES

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

FINANCE COSTS

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

INCOME TAX (EXPENSE) CREDIT

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

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

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

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

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

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

As at 30 June 2013, the guaranteed bonds issued by the Group amounted to HK\$760.0 million, which are interest bearing of 4.15% per annum and mature on 5 March 2018. The bonds are guaranteed by the Company. As at 30 June 2013, the Group's total available bank loan facilities from various banks amounted to HK\$461.7 million (31 December 2012: HK\$491.2 million), of which HK\$46.7 million (31 December 2012: HK\$76.2 million) was secured by pledging HK\$117.0 million of the Group's investment properties. As at 30 June 2013, the Group utilised HK\$413.0 million and HK\$46.7 million of unsecured and secured bank loan facilities respectively (31 December 2012: unsecured HK\$413.0 million; secured HK\$76.2 million). Details of bank and other borrowings are given in Note 16 to the condensed consolidated financial statements.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

Other than those mentioned in Note 19 to the condensed consolidated financial statements, the Group had no further material acquisitions, disposals and significant investments during and subsequent to the review period.

HEADCOUNT/EMPLOYEES' INFORMATION

The total number of the Group's and associates' employees was 12,226 as of 30 June 2013. Excluding the employees from associates such as Melco Crown Entertainment, MCR, EGT and ChariLot Company Limited, the total number of the Group's employees becomes 295 as of 30 June 2013 (31 December 2012: 314 employees). Among the 295 employees, 232 are located in Hong Kong and the rest are based in Macau and the PRC. The related staff costs for the six months ended 30 June 2013, including directors' emoluments, share option expenses and share award expenses, amounted to HK\$103.1 million (six months ended 30 June 2012: HK\$84.4 million).

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

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

CONTINGENT LIABILITIES

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

FOREIGN EXCHANGE EXPOSURE

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.
德勤

**TO THE BOARD OF DIRECTORS OF MELCO INTERNATIONAL DEVELOPMENT
LIMITED**

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Melco International Development Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 25 to 45, which comprises the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
29 August 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Notes	Six months ended 30 June	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Revenue	3	94,414	63,609
Other income		34,391	17,614
Investment income		2,101	497
Purchase and changes in inventories of finished goods		(40,459)	(14,795)
Employee benefits expense		(103,063)	(84,372)
Depreciation of property, plant and equipment		(3,661)	(2,717)
Increase in fair value of investment properties		46,000	–
Loss on deemed disposal of interest in an associate	4	(32,337)	(11,741)
Fair value change on investment in convertible loan note		–	(39,993)
Share of profits of associates	11	659,066	569,664
Other expenses		(54,420)	(33,412)
Finance costs		(16,982)	(65,882)
Profit before tax	5	585,050	398,472
Income tax (expense) credit	6	(5,608)	10,340
Profit for the period		579,442	408,812
Other comprehensive (expense) income			
<u>Items that may be subsequently reclassified to profit or loss:</u>			
Exchange differences arising on translation of foreign operations		(3,469)	30
Share of exchange differences of an associate		(22,185)	–
Other comprehensive (expense) income for the period		(25,654)	30
Total comprehensive income for the period		553,788	408,842
Profit for the period attributable to:			
Owners of the Company		576,879	408,413
Non-controlling interests		2,563	399
		579,442	408,812

		Six months ended 30 June	
		2013	2012
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
<hr/>			
Total comprehensive income for the period attributable to:			
		552,829	408,443
		959	399
		<hr/> 553,788 <hr/>	<hr/> 408,842 <hr/>
Earnings per share	8		
Basic (HK cents)		<hr/> 37.6 <hr/>	<hr/> 33.2 <hr/>
Diluted (HK cents)		<hr/> 36.8 <hr/>	<hr/> 30.3 <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2013

	Notes	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Non-current assets			
Investment properties	9 & 10	117,000	227,000
Property, plant and equipment	9	16,612	27,223
Other intangible assets		5,700	5,700
Interests in joint ventures		–	–
Interests in associates	11	10,036,183	8,835,811
Available-for-sale investments		1,630	3,958
		10,177,125	9,099,692
Current assets			
Inventories		2,339	2,578
Trade receivables	12	75,412	65,804
Prepayments, deposits and other receivables		33,788	26,457
Held-for-trading investments		150	198
Amounts due from associates	13	4,622	175
Pledged bank deposits	10	947	947
Bank deposits with original maturity over three months		1,269,876	573,625
Bank balances and cash		163,800	155,856
		1,550,934	825,640
Assets classified as held for sale	14	156,000	–
		1,706,934	825,640
Current liabilities			
Trade payables	15	55,013	48,679
Other payables		57,456	46,958
Amounts due to associates	13	–	10,396
Amounts due to joint ventures	13	165	–
Dividend payable		23,152	158
Taxation payable		21,461	21,245
Borrowings – due within one year	16	27,980	33,980
		185,227	161,416
Net current assets		1,521,707	664,224
Total assets less current liabilities		11,698,832	9,763,916

	Notes	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Non-current liabilities			
Deferred tax liabilities		16,312	10,792
Borrowings – due after one year	16	1,191,740	455,230
		<u>1,208,052</u>	<u>466,022</u>
		<u>10,490,780</u>	<u>9,297,894</u>
Capital and reserves			
Share capital	17	767,310	766,483
Reserves		9,798,096	8,607,950
		<u>10,565,406</u>	<u>9,374,433</u>
Equity attributable to owners of the Company		(74,626)	(76,539)
Non-controlling interests			
		<u>10,490,780</u>	<u>9,297,894</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Attributable to owners of the Company														
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Special reserve HK\$'000	Convertible loan note equity reserve HK\$'000	Property revaluation reserve HK\$'000	Other revaluation reserve HK\$'000	Exchange reserve HK\$'000	Share options reserve HK\$'000	Shares held under share award schemes HK\$'000	Share awards reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2012 (Audited)	615,682	3,137,831	253,004	(62,185)	323,818	5,796	200,784	3,442	93,492	(16,906)	10,387	2,617,501	7,182,646	28,930	7,211,576
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	30	-	-	-	-	30	-	30
Other comprehensive income for the period	-	-	-	-	-	-	-	30	-	-	-	408,413	408,413	399	408,812
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	408,413	408,443	399	408,842
Total comprehensive income for the period	-	-	-	-	-	-	-	30	-	-	-	408,413	408,443	399	408,842
Exercise of share options	1,293	7,728	-	-	-	-	-	-	(2,322)	-	-	-	6,699	-	6,699
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	-	24,565	-	19,883	-	44,448	-	44,448
Transfer of share option reserve upon expiry of share options	-	-	-	-	-	-	-	-	(3,488)	23,903	(21,250)	3,488	-	-	-
Shares vested under the share award scheme	-	-	-	-	-	-	-	-	-	-	(2,653)	-	-	-	-
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(403)	(18,509)	(403)	(403)
Dividend paid	-	-	(18,509)	-	-	-	-	-	-	-	-	-	(18,509)	-	(18,509)
Realization of special reserve and other revaluation reserve upon deemed disposal of partial interest in an associate	-	-	-	148	-	-	(61)	-	-	-	-	61	148	-	148
Purchase of shares of unvested shares under the share award schemes	-	-	-	-	-	-	-	-	-	(34,478)	-	-	(34,478)	-	(34,478)
At 30 June 2012 (Unaudited)	616,975	3,145,559	234,495	(62,037)	323,818	5,796	200,723	3,472	112,247	(27,461)	9,020	3,026,810	7,589,397	28,926	7,618,323

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Special reserve HK\$'000	Convertible loan note equity reserve HK\$'000	Property revaluation reserve HK\$'000	Other revaluation reserve HK\$'000	Exchange reserve HK\$'000	Share options reserve HK\$'000	Shares held under share award schemes HK\$'000	Share awards reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2013 (Audited)	766,483	4,386,213	234,495	(81,074)	-	5,796	200,723	3,400	125,839	(27,481)	19,728	3,740,311	9,374,433	(76,539)	9,297,894
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(1,865)	-	-	-	-	(1,865)	(1,604)	(3,469)
Share of other comprehensive expenses of an associate	-	-	-	-	-	-	-	(22,185)	-	-	-	-	(22,185)	-	(22,185)
Other comprehensive expense for the period	-	-	-	-	-	-	-	(24,050)	-	-	-	-	(24,050)	(1,604)	(25,654)
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	576,879	576,879	2,563	579,442
Total comprehensive income for the period	-	-	-	-	-	-	-	(24,050)	-	-	-	576,879	552,829	959	553,788
Exercise of share options	827	13,251	-	-	-	-	-	-	(4,824)	-	-	-	9,254	-	9,254
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	-	30,732	-	22,451	-	53,183	-	53,183
Purchase of shares of unvested shares under the share award schemes	-	-	-	-	-	-	-	-	-	(3,278)	(88,050)	7,392	(3,278)	-	(3,278)
Shares vested under the share award scheme	-	-	-	-	-	-	-	-	-	30,638	-	-	-	-	-
Deemed disposal of partial interest in a subsidiary	-	-	-	6,151	-	-	-	-	-	-	-	-	6,151	(6,151)	-
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(280)	(280)
Dividend recognized as distribution (Note 7)	-	-	(22,994)	-	-	-	-	-	-	-	-	-	(22,994)	-	(22,994)
Realization of special reserve and other revaluation reserve upon deemed disposal of partial interest in an associate	-	-	-	148	-	-	62	-	-	-	-	(62)	148	-	148
Share of net assets changes of an associate (note)	-	-	-	595,680	-	-	-	-	-	-	-	-	595,680	-	595,680
Contribution from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	7,385	7,385
At 30 June 2013 (Unaudited)	767,310	4,399,464	211,501	520,905	-	5,796	200,785	(20,650)	151,747	(101)	4,129	4,324,520	10,565,406	(74,626)	10,490,780

Note: Amount represents share of net assets changes of an associate, Melco Crown Entertainment Limited ("Melco Crown Entertainment"), in relation to the issuance of shares and sales of treasury shares of one of its subsidiaries, Melco Crown (Philippines) Resorts Corporation ("MCP") during the current interim period.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Net cash used in operating activities	(48,516)	(31,273)
Net cash (used in) from investing activities:		
Receipt of bank deposits with original maturity over three months	442,896	420,514
Placement of bank deposits with original maturity over three months	(1,139,147)	(333,419)
Other investing cash flows	26,102	17,565
	(670,149)	104,660
Net cash from (used in) financing activities:		
Proceeds from issuance of guaranteed bonds	760,000	–
Repayments of bank borrowings	(29,490)	(202,490)
Purchase of shares for unvested shares under share award schemes	(3,278)	(34,478)
Dividend paid	(280)	(17,748)
New bank loans raised	–	230,000
Other financing cash flows	(343)	3,485
	726,609	(21,231)
Net increase in cash and cash equivalents	7,944	52,156
Cash and cash equivalents at 1 January	155,856	97,086
Cash and cash equivalents at 30 June, represented by bank balances and cash	163,800	149,242

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

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

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

2. PRINCIPAL ACCOUNTING POLICIES – continued

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

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

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

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

3. REVENUE AND SEGMENTAL INFORMATION

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

- (1) Gaming, Leisure and Entertainment Segment: It mainly comprises provision of catering, entertainment and related services and lottery business, including the provision of services and solutions for distribution of lottery products and trading of lottery terminals.
- (2) Property and Other Investments Segment: It mainly comprises of property investments and other investments.

Information regarding the above segments is reported below.

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

Six months ended 30 June 2013 (Unaudited):

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

3. REVENUE AND SEGMENTAL INFORMATION – continued

Six months ended 30 June 2012 (Unaudited):

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

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

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

3. REVENUE AND SEGMENTAL INFORMATION – continued

Segment assets and liabilities

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

Segment assets

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

Segment liabilities

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

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

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

4. LOSS ON DEEMED DISPOSAL OF INTEREST IN AN ASSOCIATE

During the period ended 30 June 2013, the Group's ownership interest in its associate, Melco Crown Entertainment Limited ("Melco Crown Entertainment"), decreased from 33.73% to 33.65% (six months ended 30 June 2012: decreased from 33.65% to 33.57%), as a result of the vesting of certain restricted shares and the exercise of share options of Melco Crown Entertainment. The Group recognised a loss of approximately HK\$32,337,000 (six months ended 30 June 2012: HK\$11,741,000) which represents the decrease in net assets attributable to the Group of HK\$32,189,000 (six months ended 30 June 2012: HK\$11,593,000).

5. PROFIT BEFORE TAX

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Profit before tax has been arrived at after charging:		
Loss from fair value change of held-for-trading investments (included in other expenses)	48	80
Impairment loss on property, plant and equipment (included in other expenses)	6,297	–
and after crediting:		
Decrease in financial guarantee liability (included in other income)	–	12,472
Dividend income from unlisted investments (included in other income)	2,149	577
Share of tax credit of associates included in share of profits of associates	3,550	2,720
Recovery of loan to an associate (included in other income)	22,684	–
	<u>22,684</u>	<u>–</u>

6. INCOME TAX (EXPENSE) CREDIT

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

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

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

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

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

7. DIVIDEND

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

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

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	576,879	408,413
Effect of dilutive potential ordinary shares:		
Interest on convertible loan note	–	62,668
Adjustment in relation to share options and awarded shares issued by an associate of the Group	(5,793)	(4,461)
Earnings for the purpose of diluted earnings per share	571,086	466,620

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

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

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

9. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group spent approximately HK\$888,000 (six months ended 30 June 2012: HK\$7,805,000) mainly on furniture, fixtures and equipment for the Group's office premises.

During the current interim period, investment properties of approximately HK\$110,000,000 have been transferred to assets classified as held for sale and details are disclosed in Note 14.

The fair values of the Group's investment properties as at 30 June 2013 have been determined by the directors of the Company. No valuation has been performed by independent qualified professional valuers. The valuation performed by the directors of the Company was arrived at by reference to market evidence of transaction prices for similar properties in similar locations, except for those classified as assets held for sale, which are by reference to the agreed transaction price of HK\$156,000,000, and resulted in a fair value gain of approximately HK\$46,000,000 on these properties.

10. PLEDGE OF ASSETS

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

11. INTERESTS IN ASSOCIATES

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

12. TRADE RECEIVABLES

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

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

12. TRADE RECEIVABLES – continued

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

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

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

Included in amounts due from associates are:

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

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

14. ASSETS CLASSIFIED AS HELD FOR SALE

In April 2013, the Group had entered into a sale and purchase agreement to sell its investment properties in Macau at a consideration of HK\$156,000,000 and the sale transaction has been completed in July 2013. Accordingly, the investment properties have been classified as assets held for sale and are separately presented in the condensed consolidated statement of financial position. Deposit of HK\$15,600,000 has been received in June 2013 and included in other payables.

15. TRADE PAYABLES

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

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

16. BORROWINGS

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

16. BORROWINGS – continued

Notes:

- i) All the bank borrowings are denominated in HK\$, the functional currency of relevant group entities, with interest rates of Hong Kong Interbank Offered Rates (“HIBOR”) plus 1.5% to 2.5% (31 December 2012: HIBOR plus 1.5% to 2.5%) per annum.
- ii) In February 2013, Melco Finance Limited, a wholly owned subsidiary of the Company, issued guaranteed bonds with principal amount of HK\$760,000,000 (“Bonds”) to independent investors. The interest on the Bonds is accrued at a rate of 4.15% per annum, payable quarterly in arrears, with maturity date of 5 March 2018. The Bonds are guaranteed by the Company. The proceeds will be used by the Company for general working capital and future investment purposes.

17. SHARE CAPITAL

	Number of ordinary shares		Amount	
	30 June 2013 (Unaudited)	31 December 2012 (Audited)	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Authorised:				
At the beginning and end of the period/year of HK\$0.5 each	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:				
At the beginning of the period/year of HK\$0.5 each	<u>1,532,966,567</u>	1,231,363,780	<u>766,483</u>	615,682
Conversions of the convertible loan note	-	298,982,187	-	149,491
Exercise of share options	<u>1,654,000</u>	<u>2,620,600</u>	<u>827</u>	<u>1,310</u>
At the end of the period/year of HK\$0.5 each	<u>1,534,620,567</u>	<u>1,532,966,567</u>	<u>767,310</u>	<u>766,483</u>

The shares issued during the period/year rank pari passu in all respects with the then existing shares. As at 30 June 2013, the Company’s 9,385 (31 December 2012: 4,009,385) and 75,000 (31 December 2012: 75,000) issued shares with aggregate nominal value of approximately HK\$5,000 (31 December 2012: HK\$2,005,000) and HK\$38,000 (31 December 2012: HK\$38,000), respectively, were held by the Company’s share purchase scheme and share subscription scheme, respectively.

18. RELATED PARTY TRANSACTIONS

- a) Significant related party transactions are as follows:

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Catering income received from directors and related companies	897	1,034
Interest expense on convertible loan note issued to a related company	–	62,668
Interest income received from associates	–	1,056
Rental income received from an associate	2,281	2,281
Service income received from associates	5,452	4,590

The above balances/transactions with related companies are made with companies in which Mr. Ho, Lawrence Yau Lung, the Chairman and CEO and a substantial shareholder of the Company who has interests in more than 20% of the shares of the Company, and his family members has control.

- b) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Short-term benefits	10,709	7,945
Post-employment benefits	54	44
Share-based payments	46,337	38,609
	57,100	46,598

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

19. EVENT AFTER THE REPORTING PERIOD

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

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

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

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

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

OTHER INFORMATION

INTERIM DIVIDEND

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

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the six months ended 30 June 2013 or at any time during such period.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2013, the interests and short position of each director and chief executive of the Company in the shares, underlying shares, debentures and convertible loan notes of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which the director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

(I) Long position in the shares and underlying shares of the Company

(a) Ordinary shares of HK\$0.50 each of the Company

Name of Director	Number of ordinary shares held			Total	% of issued share capital
	Personal interests (Note 2)	Corporate interests (Note 3)	Other interests (Note 4)		
Mr. Ho, Lawrence Yau Lung	18,162,612	429,923,077 (Note 5)	298,982,187 (Note 6)	747,067,876	48.68%
Mr. Tsui Che Yin, Frank	181,660	-	-	181,660	0.01%
Mr. Chung Yuk Man, Clarence	9,440	-	-	9,440	0.001%
Sir Roger Lobo	72,000	-	-	72,000	0.005%
Mr. Sham Sui Leung, Daniel	72,000	-	-	72,000	0.005%
Mr. Ng Ching Wo	72,000	-	-	72,000	0.005%

(b) Share options/awarded shares granted by the Company

Name of Director	Number of underlying shares held pursuant to share options (Notes 2 & 7)	Number of awarded shares held (Notes 2 & 8)	Total	% of issued share capital
Mr. Ho, Lawrence Yau Lung	4,986,520	1,250,000	6,236,520	0.41%
Mr. Tsui Che Yin, Frank	6,736,000	-	6,736,000	0.44%
Mr. Chung Yuk Man, Clarence	7,136,000	-	7,136,000	0.47%
Sir Roger Lobo	1,262,000	-	1,262,000	0.09%
Mr. Sham Sui Leung, Daniel	962,000	-	962,000	0.07%
Mr. Ng Ching Wo	1,262,000	-	1,262,000	0.09%
Dr. Tyen Kan Hee, Anthony	760,000	-	760,000	0.05%

Notes:

- As at 30 June 2013, the total number of issued shares of the Company was 1,534,620,567.
- This represents interests held by the relevant director as beneficial owner.
- This represents interests held by the relevant director through his controlled corporations.
- This represents interests held by the relevant director through a discretionary family trust of which the relevant director is a beneficiary.
- Of the 429,923,077 shares, 288,532,606 shares were held by Better Joy Overseas Ltd., 115,509,024 shares were held by Lasting Legend Ltd., 7,294,000 shares were held by The L3G Capital Trust and 18,587,447 shares were held by Mighty Dragon Developments Limited, representing approximately 18.80%, 7.53%, 0.48% and 1.21% of the issued share capital of the Company respectively. All of such companies/trust were owned by persons, companies and/or trusts associated with Mr. Ho, Lawrence Yau Lung. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung was deemed to be interested in the 429,923,077 shares held by the aforesaid companies/trust.
- In addition to the deemed interests as stated in Note 5 above, Mr. Ho, Lawrence Yau Lung was also deemed to be interested in 298,982,187 shares held by Great Respect Limited, representing approximately 19.48% of the issued share capital of the Company, by virtue of him being a beneficiary of a discretionary family trust for the purpose of the SFO. Great Respect Limited is a company controlled by a discretionary family trust, the beneficiaries of which include Mr. Lawrence Yau Lung Ho and his immediate family members.
- Details of share options granted to the directors pursuant to the share option schemes of the Company are set out in the section headed "Share Option Schemes" of this report.
- Details of awarded shares granted to the directors pursuant to The Melco Share Purchase Scheme (share incentive award scheme) are set out in the section headed "Share Award Schemes" of this report.

(II) Long position in the shares and underlying shares of associated corporations of the Company

(A) MelcoLot Limited (“MelcoLot”)

(a) Ordinary shares of HK\$0.01 each of MelcoLot

Name of Director	Number of ordinary shares held			Total	% of issued share capital of MelcoLot
	Personal interests (Note 2)	Corporate interests (Note 3)	Other interests		
Mr. Ho, Lawrence Yau Lung	-	1,181,758,409 (Note 4)	-	1,181,758,409	50.59%

(b) Share options granted by MelcoLot

Name of Director	Number of underlying shares held pursuant to share options (Notes 2 & 5)	% of issued share capital of MelcoLot
Mr. Ho, Lawrence Yau Lung	5,705,046	0.24%
Mr. Tsui Che Yin, Frank	917,210	0.04%

Notes:

- As at 30 June 2013, the total number of issued shares of MelcoLot was 2,336,005,282
- This represents interests held by the relevant director as beneficial owner.
- This represents interests held by the relevant director through his controlled corporations.
- By virtue of the SFO, Mr. Ho, Lawrence Yau Lung is taken to be interested in 1,181,758,409 shares of MelcoLot which are being held by Melco LottVenutres Holdings Limited, a wholly owned subsidiary of the Company, as a result of him being interested in approximately 48.68% of the issued share capital of the Company which in turn holds approximately 50.59% of the issued shares of MelcoLot.
- Details of share options granted to the directors pursuant to the share option scheme of MelcoLot are set out in the section headed “Share Option Schemes” of this report.

(B) *Melco Crown Entertainment Limited* (“*Melco Crown Entertainment*”)

(a) Ordinary shares of US\$0.01 each of Melco Crown Entertainment

Name of Director	Number of ordinary shares held			% of issued share capital of Melco Crown Entertainment	
	Personal interests (Note 2)	Corporate interests (Note 3)	Other interests (Note 4)	Total	Entertainment
Mr. Ho, Lawrence Yau Lung	3,542,369	559,229,043	559,229,043	1,122,000,455	67.50%
Mr. Tsui Che Yin, Frank	11,850	-	-	11,850	0.001%
Mr. Chung Yuk Man, Clarence	115,123	-	-	115,123	0.01%

(b) Stock options/restricted shares granted by Melco Crown Entertainment

Name of Director	Number of		% of issued share capital of Melco Crown Entertainment	
	underlying shares held pursuant to stock options (Notes 2 & 5)	Number of restricted shares held (Notes 2 & 6)	Total	Entertainment
Mr. Ho, Lawrence Yau Lung	5,937,339	580,575	6,517,914	0.39%
Mr. Chung Yuk Man, Clarence	194,664	75,543	270,207	0.02%

Notes:

- As at 30 June 2013, the total number of issued shares of Melco Crown Entertainment was 1,662,128,075.
- This represents interests held by the relevant director as beneficial owner.
- This represents interests held by the relevant director through his controlled corporations.
- By virtue of the SFO, Mr. Ho, Lawrence Yau Lung is taken to be interested in (i) 559,229,043 shares of Melco Crown Entertainment which are being held by Melco Leisure and Entertainment Group Limited (“Melco Leisure”), a wholly owned subsidiary of the Company; and (ii) 559,229,043 shares of Melco Crown Entertainment which are being held by Crown Asia Investments Pty. Ltd. (“Crown Asia”) pursuant to rights of first refusal over such shares granted by Crown Asia in favor of Melco Leisure under the amended and restated shareholders’ deed entered into among Melco Crown Entertainment, Melco Leisure, the Company, Crown Asia and Crown Limited dated 12 December 2007 as a result of him being interested in approximately 48.68% of the issued share capital of the Company which in turn holds approximately 67.29% of the issued shares of Melco Crown Entertainment.

(B) *Melco Crown Entertainment Limited (“Melco Crown Entertainment”)*

– *continued*

5. Details of the 5,937,339 stock options are as follows:

- 2,898,774 stock options granted on 17 March 2009 at exercise price of US\$1.0867 are divided into 4 tranches exercisable from 17 March 2010, 17 March 2011, 17 March 2012 and 17 March 2013 respectively to 16 March 2019
- 755,058 stock options granted on 25 November 2009 at exercise price of US\$1.4267 are divided into 4 tranches exercisable from 25 November 2010, 25 November 2011, 25 November 2012 and 25 November 2013 respectively to 17 March 2018
- 1,446,498 stock options granted on 23 March 2011 at exercise price of US\$2.52333 are divided into 3 tranches exercisable from 23 March 2012, 23 March 2013 and 23 March 2014 respectively to 22 March 2021
- 474,399 stock options granted on 29 March 2012 at exercise price of US\$4.6967 are divided into 3 tranches exercisable from 29 March 2013, 29 March 2014 and 29 March 2015 respectively to 28 March 2022
- 362,610 stock options granted on 10 May 2013 at exercise price of US\$8.42 are divided into 3 tranches exercisable from 10 May 2014, 10 May 2015 and 10 May 2016 respectively to 9 May 2023

Details of the 194,664 stock options are as follows:

- 56,628 stock options granted on 18 March 2008 at exercise price of US\$4.01333 are divided into 4 tranches exercisable from 18 March 2009, 18 March 2010, 18 March 2011 and 18 March 2012 respectively to 17 March 2018
- 138,036 stock options granted on 17 March 2009 at exercise price of US\$1.0867 are divided into 4 tranches exercisable from 17 March 2010, 17 March 2011, 17 March 2012 and 17 March 2013 respectively to 16 March 2019

6. Details of the 580,575 restricted shares are as follows:

- 241,137 restricted shares awarded on 23 March 2011 shall vest on 23 March 2014
- One half each of the 158,133 restricted shares awarded on 29 March 2012 shall vest on 29 March 2014 and 29 March 2015 respectively
- One third each of the 181,305 restricted shares awarded on 10 May 2013 shall vest on 10 May 2014, 10 May 2015 and 10 May 2016 respectively

Details of the 75,543 restricted shares are as follows:

- 15,858 restricted shares awarded on 23 March 2011 shall vest on 23 March 2014
- One half each of the 45,180 restricted shares awarded on 29 March 2012 shall vest on 29 March 2014 and 29 March 2015 respectively
- One third each of the 14,505 restricted shares awarded on 10 May 2013 shall vest on 10 May 2014, 10 May 2015 and 10 May 2016 respectively

(C) *Melco Crown (Philippines) Resorts Corporation (“Melco Crown Philippines”)*

Name of Director	Number of	Number of	Total	% of
	underlying shares held pursuant to share options (Note 2 & 3)	restricted shares held (Notes 2 & 4)		issued share capital of Melco Crown Philippines
Mr. Ho, Lawrence Yau Lung	15,607,276	7,803,638	23,410,914	0.53%
Mr. Chung Yuk Man, Clarence	10,404,851	5,202,425	15,607,276	0.35%

Notes:

- Melco Crown Philippines, whose shares are listed on the Philippine Stock Exchange, is a subsidiary of Melco Crown Entertainment. As at 30 June 2013, the total number of issued shares of Melco Crown Philippines was 4,426,303,300.
- This represents interests held by the relevant director as beneficial owner.
- The stock options granted on 28 June 2013 at exercise price of PHP8.30 are divided into 3 tranches exercisable from 30 days after the opening of Melco Crown Philippines resort, 29 April 2015 and 29 April 2016 respectively to 27 June 2023.
- One third each of the restricted shares awarded on 28 June 2013 shall vest 30 days after the opening of Melco Crown Philippines resort, 29 April 2015 and 29 April 2016 respectively.

(D) *Entertainment Gaming Asia Inc. (“EGT”)*

(a) Shares of common stock of US\$0.001 each of EGT

Name of Director	Number of common stock held			Total	% of issued share capital of EGT
	Personal interests (Note 2)	Corporate interests (Note 3)	Other interests		
Mr. Ho, Lawrence Yau Lung	-	11,450,000 (Note 4)	-	11,450,000	38.14%
Mr. Chung Yuk Man, Clarence	723,404	-	-	723,404	2.41%
Dr. Tyen Kan Hee, Anthony	30,000	-	-	30,000	0.10%

(D) Entertainment Gaming Asia Inc. ("EGT") – continued

(b) Stock options and restricted common stock granted by EGT

Name of Director	Number of underlying common stock held pursuant to stock options (Notes 2 & 5)	Number of restricted common stock held (Notes 2 & 6)	Total	% of issued share capital of EGT
Mr. Chung Yuk Man, Clarence	1,120,000	50,000	1,170,000	3.90%
Mr. Sham Sui Leung, Daniel	37,500	-	37,500	0.12%
Dr. Tyen Kan Hee, Anthony	112,500	-	112,500	0.37%

Notes:

1. As at 30 June 2013, the total number of issued shares of common stock of EGT was 30,024,662.
2. This represents interests held by the relevant director as beneficial owner.
3. This represents interests held by the relevant director through his controlled corporations.
4. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung is deemed to be interested in 11,450,000 shares of common stock (after the combination of four shares of common stock into one share of common stock with effect from 12 June 2012) of EGT, which are being held by EGT Entertainment Holding Limited, a wholly-owned subsidiary of the Company, as a result of him being interested in approximately 48.68% of the issued share capital of the Company which in turn holds approximately 38.14% of the issued share capital of EGT.
5. Details of the 1,120,000 stock options are as follows:
 - 7,500 stock options granted on 22 January 2008 at exercise price of US\$14.48 may be exercised from 23 July 2008 to 22 January 2018
 - 25,000 stock options granted on 12 February 2008 at exercise price of US\$18.36 may be exercised from 15 May 2008 to 14 November 2017
 - 500,000 stock options granted on 29 December 2008 at exercise price of US\$0.68 may be exercised from 29 December 2009 to 29 December 2013
 - 12,500 stock options granted on 12 February 2009 at exercise price of US\$0.52 may be exercised from 13 August 2009 to 12 February 2019
 - 12,500 stock options granted on 7 January 2010 at exercise price of US\$1.16 may be exercised from 8 July 2010 to 7 January 2020
 - 125,000 stock options granted on 22 January 2010 at exercise price of US\$1.10 may be exercised from 1 January 2011 to 22 January 2020
 - Among the 137,500 stock options granted on 3 February 2011 at exercise price of US\$1.44, 12,500 options may be exercised from 4 August 2011 to 3 February 2021 and 125,000 options may be exercised from 1 January 2012 to 3 February 2021

(D) Entertainment Gaming Asia Inc. ("EGT") – continued

- Among the 175,000 stock options granted on 3 January 2012 at exercise price of US\$0.924, 25,000 options may be exercised from 4 July 2012 to 3 January 2022 and 150,000 options may be exercised from 1 January 2013 to 3 January 2022
- 25,000 stock options granted on 2 January 2013 at exercise price of US\$1.965 may be exercised from 3 July 2013 to 2 January 2023
- 100,000 stock options granted on 2 January 2013 at exercise price of US\$1.965 are subject to vesting and risk of forfeiture based on EGT's ability to meet certain financial and non-financial performance targets as of and for the fiscal year ending 31 December 2013. The determination of the vesting or forfeiture of options shall be made by the Compensation Committee of EGT's Board of Directors on or before 30 April 2014. If the 100,000 stock options are vested, they may be exercised from 2 January 2016 to 2 January 2023.

Details of the 37,500 stock options are as follows:

- 25,000 stock options granted on 11 December 2008 at exercise price of US\$0.32 may be exercised from 12 June 2009 to 11 December 2018
- 12,500 stock options granted on 12 February 2009 at exercise price of US\$0.52 may be exercised from 13 August 2009 to 12 February 2019

Details of the 112,500 stock options are as follows:

- 25,000 stock options granted on 11 December 2008 at exercise price of US\$0.32 may be exercised from 12 June 2009 to 11 December 2018
 - 12,500 stock options granted on 12 February 2009 at exercise price of US\$0.52 may be exercised from 13 August 2009 to 12 February 2019
 - 12,500 stock options granted on 7 January 2010 at exercise price of US\$1.16 may be exercised from 8 July 2010 to 7 January 2020
 - 12,500 stock options granted on 3 February 2011 at exercise price of US\$1.44 may be exercised from 4 August 2011 to 3 February 2021
 - 25,000 stock options granted on 3 January 2012 at exercise price of US\$0.924 may be exercised from 4 July 2012 to 3 January 2022
 - 25,000 stock options granted on 2 January 2013 at exercise price of US\$1.965 may be exercised from 3 July 2013 to 2 January 2023
6. 50,000 shares of restricted common stock granted on 2 January 2013 are subject to vesting and risk of forfeiture based on EGT's ability to meet certain financial and non-financial performance targets as of and for the fiscal year ending 31 December 2013. The determination of the vesting or forfeiture of shares shall be made by the Compensation Committee of EGT's Board of Directors on or before 30 April 2014.

Save as disclosed above, as at 30 June 2013, none of the directors or chief executive of the Company and their respective associates had any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2013, the following persons/corporations had interests in five per cent or more of the issued share capital of the Company as recorded in the register required to be kept under Section 336 of the SFO. Details of the interests in the shares or underlying shares of the Company as notified to the Company are set out below:

Ordinary shares of HK\$0.50 each of the Company

Name	Capacity	Number of ordinary shares held/ Approximate % of issued share capital				Note(s)
		Long Position	%	Short Position	%	
Better Joy Overseas Ltd.	Beneficial owner	288,532,606	18.80%	-	-	2
Lasting Legend Ltd.	Beneficial owner	115,509,024	7.53%	-	-	2
Great Respect Limited	Beneficial owner	298,982,187	19.48%	-	-	4
SG Trust Asia Ltd.	Interest of controlled corporation	298,982,187	19.48%	-	-	4
Mr. Ho, Lawrence Yau Lung	Beneficial owner	18,162,612	1.18%	-	-	6
	Interest of controlled corporations	429,923,077	28.01%	-	-	3
	Beneficiary of a trust	298,982,187	19.48%	-	-	4
Ms. Lo Sau Yan, Sharen	Interest of spouse	747,067,876	48.68%	-	-	5, 6
The Capital Group Companies, Inc.	Interest of controlled corporation	92,624,000	6.04%	-	-	-

Notes:

- As at 30 June 2013, the total number of issued shares of the Company was 1,534,620,567.
- The shares held by Better Joy Overseas Ltd. and Lasting Legend Ltd. also represent the corporate interests of Mr. Ho, Lawrence Yau Lung in the Company.
- The 429,923,077 shares relate to the 288,532,606 shares, 115,509,024 shares, 18,587,447 shares and 7,294,000 shares held by Better Joy Overseas Ltd., Lasting Legend Ltd., Mighty Dragon Developments Limited and The L3G Capital Trust respectively, representing approximately 18.80%, 7.53%, 1.21% and 0.48% of the issued share capital of the Company. Better Joy Overseas Ltd., Lasting Legend Ltd., Mighty Dragon Developments Limited and The L3G Capital Trust are owned by persons and/or trusts associated with Mr. Ho, Lawrence Yau Lung. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung was deemed to be interested in the shares held by the aforesaid companies and trust.
- Great Respect Limited ("Great Respect") converted in full the Convertible Loan Notes in the principal amount of HK\$1,175,000,000 into 298,982,187 shares of the Company in September 2012. Great Respect is a company controlled by a discretionary family trust, the beneficiaries of which include Mr. Ho, Lawrence Yau Lung and his immediate family members (including his father, Dr. Ho Hung Sun, Stanley). SG Trust (Asia) Ltd. is the trustee of the aforesaid discretionary family trust.
- Ms. Lo Sau Yan, Sharen is the spouse of Mr. Ho, Lawrence Yau Lung and was deemed to be interested in the shares of the Company through the interest of her spouse, Mr. Ho, Lawrence Yau Lung, under the SFO.

6. Regarding the interests of Mr. Ho, Lawrence Yau Lung in other underlying shares of the Company (in respect of the share options and awarded shares granted by the Company), please refer to the section “Directors’ interests in shares, underlying shares and debentures” in this report.

Save as disclosed above, as at 30 June 2013, the Company has not been notified of any other interests or short position in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTION SCHEMES

(I) The Company

The share option scheme which was adopted by the Company on 8 March 2002 (the “2002 Share Option Scheme”) has expired on 7 March 2012. No further options shall thereafter be granted under the 2002 Share Option Scheme but the options which had been granted prior to the expiry date shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects the provisions of the 2002 Share Option Scheme shall remain in full force and effect notwithstanding the expiry of the 2002 Share Option Scheme.

At the annual general meeting of the Company held on 30 May 2012, the shareholders of the Company approved the adoption of a new share option scheme (the “2012 Share Option Scheme”) under which the directors of the Company may, at their discretion, grant to any participants of the Scheme share options to subscribe for the Company’s shares, subject to the terms and conditions as stipulated therein. The 2012 Share Option Scheme shall be valid and effective for a period of ten years commencing on the adoption date and will expire on 29 May 2022.

Movements of the share options, which were granted under the 2002 Share Option Scheme and the 2012 Share Option Scheme during the six months ended 30 June 2013 are set out below:

Category of participants	Number of share options				Date of grant	Exercise price (HK\$)	Exercise period (Note)
	As at 1 January 2013	Granted during the period	Exercised during the period	As at 30 June 2013			
(i) 2002 Share Option Scheme							
Directors							
Mr. Ho, Lawrence	692,520	-	-	692,520	01.04.2008	10.804	4
Yau Lung	536,000	-	-	536,000	17.12.2008	2.02	5
	230,000	-	-	230,000	03.04.2009	2.99	6
	1,328,000	-	-	1,328,000	07.04.2010	3.76	7
	1,200,000	-	-	1,200,000	08.04.2011	5.75	8
	<u>3,986,520</u>	<u>-</u>	<u>-</u>	<u>3,986,520</u>			

(I) The Company – continued

Category of participants	Number of share options				Date of grant	Exercise price (HK\$)	Exercise period (Note)
	As at 1 January 2013	Granted during the period	Exercised during the period	As at 30 June 2013			
Mr. Tsui Che Yin, Frank	312,000	-	-	312,000	01.04.2008	10.804	4
	546,000	-	-	546,000	17.12.2008	2.02	5
	160,000	-	-	160,000	03.04.2009	2.99	6
	1,198,000	-	-	1,198,000	07.04.2010	3.76	7
	2,200,000	-	-	2,200,000	08.04.2011	5.75	9
	1,320,000	-	-	1,320,000	27.01.2012	7.1	10
	5,736,000	-	-	5,736,000			
Mr. Chung Yuk Man, Clarence	400,000	-	-	400,000	13.02.2006	11.8	11
	312,000	-	-	312,000	01.04.2008	10.804	4
	546,000	-	-	546,000	17.12.2008	2.02	5
	160,000	-	-	160,000	03.04.2009	2.99	6
	1,198,000	-	-	1,198,000	07.04.2010	3.76	7
	2,200,000	-	-	2,200,000	08.04.2011	5.75	9
	1,320,000	-	-	1,320,000	27.01.2012	7.1	10
6,136,000	-	-	6,136,000				
Sir Roger Lobo	300,000	-	-	300,000	03.04.2006	15.87	12
	51,000	-	-	51,000	28.02.2008	11.5	13
	91,000	-	-	91,000	03.04.2009	2.99	6
	60,000	-	-	60,000	07.04.2010	3.76	14
	350,000	-	-	350,000	08.04.2011	5.75	9
	210,000	-	-	210,000	27.01.2012	7.1	10
	1,062,000	-	-	1,062,000			
Mr. Sham Sui Leung, Daniel	51,000	-	-	51,000	28.02.2008	11.5	13
	91,000	-	-	91,000	03.04.2009	2.99	6
	60,000	-	-	60,000	07.04.2010	3.76	14
	350,000	-	-	350,000	08.04.2011	5.75	9
	210,000	-	-	210,000	27.01.2012	7.1	10
	762,000	-	-	762,000			

(I) The Company – continued

Category of participants	Number of share options				Date of grant	Exercise price (HK\$)	Exercise period (Note)
	As at 1 January 2013	Granted during the period	Exercised during the period	As at 30 June 2013			
Mr. Ng Ching Wo	300,000	-	-	300,000	03.04.2006	15.87	12
	51,000	-	-	51,000	28.02.2008	11.5	13
	91,000	-	-	91,000	03.04.2009	2.99	6
	60,000	-	-	60,000	07.04.2010	3.76	14
	350,000	-	-	350,000	08.04.2011	5.75	9
	210,000	-	-	210,000	27.01.2012	7.1	10
	1,062,000	-	-	1,062,000			
Dr. Tyen Kan Hee, Anthony	350,000	-	-	350,000	08.04.2011	5.75	9
	210,000	-	-	210,000	27.01.2012	7.1	10
	560,000	-	-	560,000			
Sub-total	19,304,520	-	-	19,304,520			
Employees	850,000	-	-	850,000	13.02.2006	11.8	15
	358,200	-	-	358,200	01.04.2008	10.804	4
	195,668	-	-	195,668	17.12.2008	2.02	5
	359,000	-	(18,000)	341,000	03.04.2009	2.99	6
	2,141,000	-	(101,000)	2,040,000	07.04.2010	3.76	7
	6,620,000	-	(320,000)	6,300,000	08.04.2011	5.75	9
	4,049,200	-	(143,000)	3,906,200	27.01.2012	7.1	10
Sub-total	14,573,068	-	(582,000)	13,991,068			
Others	3,362,000	-	-	3,362,000	13.02.2006	11.8	15
	300,000	-	-	300,000	03.04.2006	15.87	12
	51,000	-	-	51,000	28.02.2008	11.5	13
	757,300	-	-	757,300	01.04.2008	10.804	4
	190,000	-	-	190,000	03.04.2009	2.99	6
	572,000	-	(250,000)	322,000	07.04.2010	3.76	7
	2,400,000	-	(690,000)	1,710,000	08.04.2011	5.75	9
	850,000	-	(113,000)	737,000	27.01.2012	7.1	10
Sub-total	8,482,300	-	(1,053,000)	7,429,300			
Total	42,359,888	-	(1,635,000)	40,724,888			

(I) The Company – continued

Category of participants	Number of share options				Date of grant	Exercise price (HK\$)	Exercise period (Note)
	As at 1 January 2013	Granted during the period	Exercised during the period	As at 30 June 2013			
(ii) 2012 Share Option Scheme							
Directors							
Mr. Ho, Lawrence Yau Lung	-	1,000,000	-	1,000,000	02.04.2013	13.4	16
Mr. Tsui Che Yin, Frank	-	1,000,000	-	1,000,000	02.04.2013	13.4	17
Mr. Chung Yuk Man, Clarence	-	1,000,000	-	1,000,000	02.04.2013	13.4	17
Sir Roger Lobo	-	200,000	-	200,000	02.04.2013	13.4	17
Mr. Ng Ching Wo	-	200,000	-	200,000	02.04.2013	13.4	17
Mr. Sham Sui Leung, Daniel	-	200,000	-	200,000	02.04.2013	13.4	17
Dr. Tyen Kan Hee, Anthony	-	200,000	-	200,000	02.04.2013	13.4	17
Sub-total	-	3,800,000	-	3,800,000			
Employees	-	3,349,000	-	3,349,000	02.04.2013	13.4	17
Others	-	575,000	(19,000)	556,000	02.04.2013	13.4	17
Total	-	7,724,000	(19,000)	7,705,000			

Notes:

- The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- As at 30 June 2013, the Company had 40,724,888 share options outstanding under the 2002 Share Option Scheme and 7,705,000 share options outstanding under the 2012 Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 48,429,888 additional ordinary shares of the Company and additional share capital of HK\$24,214,944 and share premium of approximately HK\$252,238,349 before issuance expenses.
- During the period ended 30 June 2013, no share options were lapsed and/or cancelled under the 2002 Share Option Scheme and 2012 Share Option Scheme. In respect of the share options exercised during the period, the weighted average closing price of the shares of the Company immediately before and on the dates on which the options were exercised were HK\$12.41 and HK\$12.43 respectively.
- Divided into 3 tranches exercisable from 1 April 2009, 1 April 2010 and 1 April 2011 respectively to 31 March 2018.
- Divided into 6 tranches exercisable from 1 February 2009, 1 May 2009, 1 August 2009, 1 November 2009, 1 February 2010 and 1 May 2010 respectively to 16 December 2018.
- Divided into 3 tranches exercisable from 3 April 2010, 3 April 2011 and 3 April 2012 respectively to 2 April 2019.
- Divided into 6 tranches exercisable from 7 April 2010, 7 April 2011, 7 April 2012, 7 April 2013, 7 April 2014 and 7 April 2015 respectively to 6 April 2020.

8. Divided into 2 tranches exercisable from 5 May 2011 and 8 April 2012 respectively to 7 April 2021.
9. Divided into 4 tranches exercisable from 5 May 2011, 8 April 2012, 8 April 2013 and 6 April 2014 respectively to 7 April 2021.
10. Divided into 4 tranches exercisable from 27 January 2012, 27 January 2013, 27 January 2014 and 27 January 2015 respectively to 26 January 2022.
11. Divided into 3 tranches exercisable from 1 April 2008, 1 April 2010 and 1 April 2012 respectively to 31 January 2016.
12. Divided into 3 tranches exercisable from 3 April 2008, 3 April 2010 and 3 April 2012 respectively to 2 April 2016.
13. Divided into 3 tranches exercisable from 1 April 2009, 1 April 2010 and 1 April 2011 respectively to 27 February 2018.
14. Divided into 3 tranches exercisable from 7 April 2011, 7 April 2012 and 7 April 2013 respectively to 6 April 2020.
15. Divided into 6 tranches exercisable from 1 April 2008, 1 April 2010, 1 April 2012, 3 April 2008, 3 April 2010 and 3 April 2012 respectively to 31 January 2016.
16. Divided into 2 tranches exercisable from 2 April 2013 and 2 April 2014 respectively to 1 April 2023.
17. Divided into 4 tranches exercisable from 2 April 2013, 2 April 2014, 2 April 2015 and 2 April 2016 respectively to 1 April 2023.
18. The category “Others” represents the former directors/employees or consultants of the Group. The fair value of the share options granted to consultants are measured with reference to the fair value of equity instruments granted as the consultants are in a contractual arrangement in providing services similar to those rendered by the Group’s employees.

During the six months ended 30 June 2013, the Company granted a total of 7,724,000 share options to the directors and certain employees and consultants of the Company under the 2012 Share Option Scheme on 2 April 2013. The validity period of the options is ten years, from 2 April 2013 to 1 April 2023. The options will entitle the grantees to subscribe for a total of 7,724,000 new shares of HK\$0.50 each at an exercise price of HK\$13.40 per share of the Company. The closing price of the shares of the Company immediately before the date on which the options were granted was HK\$13.44.

The estimated fair values of the 7,724,000 share options granted on 2 April 2013 was approximately HK\$57,670,000. The fair value per option granted during the period ended 30 June 2013 was HK\$7.47.

The inputs into the model were as follows:

	Date of grant of the share options	
	2 April 2013	27 January 2012
Valuation model	Binominal	Binominal
Exercise price	HK\$13.4	HK\$7.1
Expected volatility	64%	64%
Expected life	10 years	10 years
Risk-free rate	1.09%	1.32%
Suboptimal exercise factor	2.2 – 2.6	1.7 – 2.3

Expected volatility was determined by using the historical volatility of the Company's share price over the previous years. The expected life used in the model has been adjusted as appropriate, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expenses of approximately HK\$30,732,000 for the six months ended 30 June 2013 (six months ended 30 June 2012: HK\$24,565,000) in relation to the share options granted by the Company.

The Binomial Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

(II) MelcoLot Limited ("MelcoLot") (a listed subsidiary of the Company)

The share option scheme adopted by MelcoLot at its general meeting on 20 April 2002 (the "MelcoLot 2002 Share Option Scheme") has expired on 20 April 2012. The share options granted thereunder prior to the expiry date of the MelcoLot 2002 Share Option Scheme will continue to be valid and exercisable in accordance with the terms of the MelcoLot 2002 Share Option Scheme. At the annual general meeting of MelcoLot held on 18 May 2012, the shareholders of MelcoLot approved the adoption of a new share option scheme (the "MelcoLot 2012 Share Option Scheme") under which the directors of MelcoLot may grant share options to eligible persons to subscribe for the shares of MelcoLot, subject to the terms and conditions as stipulated therein. Unless otherwise cancelled or amended, the MelcoLot 2012 Share Option Scheme will remain valid for a period of 10 years from the date of its adoption. No share options were granted under the MelcoLot 2012 Share Option Scheme during the six months ended 30 June 2013. Movements of the share options granted under the MelcoLot 2002 Share Option Scheme during the six months ended 30 June 2013 are set out below:

(i) *Share options granted by MelcoLot to the Directors of the Company*

Name of Director	Number of share options				As at 30 June 2013	Date of grant	Exercise price (HK\$)	Exercise period	Note
	As at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period					
Mr. Ho, Lawrence Yau Lung	5,241,200	-	(5,241,200)	-	-	10.07.2009	0.280	10.07.2010 - 09.07.2019	3
	6,551,500	-	(6,551,500)	-	-	18.11.2010	0.116	18.05.2011 - 17.11.2020	2
	5,705,046	-	-	-	5,705,046	31.03.2008	0.679	01.10.2008 - 31.03.2018	2
Mr. Tsui Che Yin, Frank	917,210	-	-	-	917,210	31.03.2008	0.679	01.10.2008 - 31.03.2018	2
	<u>18,414,956</u>	<u>-</u>	<u>(11,792,700)</u>	<u>-</u>	<u>6,622,256</u>				

(ii) *Share options granted by MelcoLot to other eligible participants*

	Number of share options				As at 30 June 2013	Date of grant	Exercise price (HK\$)	Exercise period	Note
	As at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period					
	1,572,360	-	(1,572,360)	-	-	20.02.2003	0.105	20.02.2004 - 19.02.2013	4
	1,588,736	-	(1,005,654)	-	583,082	12.01.2007	0.067	12.01.2008 - 11.01.2017	4
	26,692,118	-	-	-	26,692,118	31.03.2008	0.679	01.10.2008 - 31.03.2018	2
	15,068,450	-	(3,668,840)	-	11,399,610	16.02.2009	0.229	16.02.2010 - 15.02.2019	3
	33,720,570	-	(4,257,119)	(203,096)	29,260,355	10.07.2009	0.280	10.07.2010 - 09.07.2019	3
	37,199,417	-	(25,143,340)	-	12,056,077	18.11.2010	0.116	18.05.2011 - 17.11.2020	2
	<u>115,841,651</u>	<u>-</u>	<u>(35,647,313)</u>	<u>(203,096)</u>	<u>79,991,242</u>				

Notes:

1. During the period ended 30 June 2013, no share options were cancelled under the MelcoLot 2002 Share Option Scheme. In respect of the share options exercised during the period, the weighted average closing price of the shares of MelcoLot immediately before the dates on which the share options were exercised was HK\$0.655.
2. These grants are exercisable for a period not later than 10 years from the date of grant, within which there is a total vesting period of one year, starting from six months of the grant date at stepped six months increments of 50% of the total share options granted.
3. These grants are exercisable for a period not later than 10 years from the date of grant, within which there is a total vesting period of three years, starting from the first anniversary of the grant date at stepped annual increments of 33% of the total share options granted.
4. These grants are exercisable for a period not later than 10 years from the date of grant, within which there is a total vesting period of four years, starting from the first anniversary of the grant date at stepped annual increments of 25% of the total share options granted.

SHARE AWARD SCHEMES

On 18 October 2007, the Company adopted two share incentive award schemes, namely The Melco Share Purchase Scheme Trust (the “Share Purchase Scheme”) and The Melco Share Award Scheme Trust (the “Share Subscription Scheme”).

The purpose of each of the Share Purchase Scheme and the Share Subscription Scheme is to encourage and facilitate the acquisition and holding of shares in the Company, by and for the benefit of such employees of the Company and any subsidiary of the Company. The shares of the Company to be awarded pursuant to the Share Purchase Scheme and/or the Share Subscription Scheme may be awarded in such manner as the Board may determine from time to time in order to recognise the contribution of certain employees, to seek to retain them for the continued operation and development of the Group, and to attract suitable personnel for the further development of the Group. The Share Purchase Scheme utilizes shares of the Company purchased in the market whereas the Share Subscription Scheme will subscribe for new shares of the Company. Directors of the Company and any of its subsidiaries will be entitled to participate in the Share Purchase Scheme but not the Share Subscription Scheme.

(a) Share Purchase Scheme

Movements of the awarded shares, which were granted pursuant to the terms of the rules and trust deed of the Share Purchase Scheme, during the six months ended 30 June 2013 are set out below:

Category of participants	Number of awarded shares				As at 30 June 2013	Date of award	Vesting date
	As at 1 January 2013	Awarded during the period	Vested during the period	Lapsed/ cancelled during the period			
Director							
Mr. Ho, Lawrence	3,000,000	-	(3,000,000)	-	-	27.01.2012	27.01.2013
Yau Lung	-	1,250,000	(1,250,000)	-	-	02.04.2013	02.04.2013
	-	1,250,000	-	-	1,250,000	02.04.2013	02.04.2014
Total	3,000,000	2,500,000	(4,250,000)	-	1,250,000		

(b) Share Subscription Scheme

There were no awarded shares outstanding under the Share Subscription Scheme as at 30 June 2013.

CORPORATE GOVERNANCE

In 2005, the Group adopted its Code on Corporate Governance (the “Company Code”), which sets out the corporate standards and practices used by the Group in directing and managing its business affairs. The Company Code was prepared with reference to the principles, Code Provisions and Recommended Best Practices stipulated in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules which came into effect on 1 January 2005. The Company Code not only formalizes the Group’s existing corporate governance principles and practices, but also serves to assimilate practices with benchmarks prescribed by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), ultimately ensuring that the Group runs a highly transparent operation and is accountable to its shareholders. With the introduction of the revised Corporate Governance Code (the “HKSE Code”) set out in Appendix 14 of the Listing Rules with effect from 1 April 2012, the Company Code was also revised to be in line with the principles and code provisions of the HKSE Code.

The Company has complied with the code provisions set out in the HKSE Code during the period from 1 January to 30 June 2013, except for the deviation of code provision A.2.1 of the HKSE Code. Pursuant to this code provision, the roles of the Chairman and Chief Executive Officer of a listed company should be separate and should not be performed by the same individual. However, in view of the present composition of the Board, the in depth knowledge of Mr. Ho, Lawrence Yau Lung of the operations of the Group and of the gaming and entertainment sector in Macau in general, his extensive business network and connections in that sector and the scope of operations of the Group, the Board believes it is in the best interests of the Company for Mr. Ho, Lawrence Yau Lung to assume the roles of Chairman and Chief Executive Officer at this time and such arrangement be subject to review by the Board from time to time.

The Company sets up the following board committees to ensure maintenance of a high corporate governance standard:–

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

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of the directors of the Company, all the directors confirmed that they have complied with the required standard of dealings and code of conduct regarding securities transactions by directors set out in the Model Code throughout the six months ended 30 June 2013.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of directors which are required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) subsequent to the date of the 2012 Annual Report of the Company are set out below:

Name of Director	Details of Changes
Mr. Ho, Lawrence Yau Lung	Appointed as non-executive director and chairman of the board of directors of Summit Ascent Holdings Limited (Stock Code: 102), a company listed on the Main Board of the Stock Exchange, with effect from 10 July 2013
Mr. Tsui Che Yin, Frank	Appointed as non-executive director and chairman of the board of directors of MelcoLot Limited (Stock Code: 8198), a company listed on the Growth Enterprise Market of the Stock Exchange and a subsidiary of the Company, with effect from 2 July 2013
Mr. Chung Yuk Man, Clarence	Appointed as director and chairman of the board of directors of Melco Crown (Philippines) Resorts Corporation, a company listed on the Philippine Stock Exchange, with effect from 19 December 2012

AUDIT COMMITTEE

The Company's audit committee is currently composed of a Non-executive Director and three Independent Non-executive Directors. The primary duties of the audit committee are to (i) review the Group's annual reports, financial statements, interim reports and to provide advice and comments thereon to the board of directors of the Company; and (ii) review and supervise the financial reporting process and internal control procedures of the Group. The audit committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2013.

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

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the Share Purchase Scheme has, pursuant to the terms of the rules and trust deed of the Share Purchase Scheme, purchased on the Stock Exchange a total of 250,000 shares of the Company. The total amount paid to acquire these shares during the period was approximately HK\$3,278,000.

INDEPENDENT REVIEW

The interim results for the six months ended 30 June 2013 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants by the Company’s auditor, whose independent review report is included in the interim report.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises three Executive Directors, namely Mr. Ho, Lawrence Yau Lung (Chairman and Chief Executive Officer), Mr. Tsui Che Yin, Frank and Mr. Chung Yuk Man, Clarence; one Non-executive Director, namely Mr. Ng Ching Wo; and three Independent Non-executive Directors, namely Sir Roger Lobo, Mr. Sham Sui Leung, Daniel and Dr. Tyen Kan Hee, Anthony.

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

Hong Kong, 29 August 2013

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