



## Interim Report 中期報告 2014

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

(Incorporated in Hong Kong with limited liability 於香港註冊成立之有限公司)

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



Melco Crown Entertainment has been selected as one of the “Fabulous 50” Companies by Forbes Asia for the second year running

## Significant Events and Developments

Melco International Development Limited (“Melco” or the “Group”) has continued its steady progress towards its strategic objectives with solid results generated in the period under review. The broader group of partners within the Melco family continues to expand its existing footprint globally from Macau to other parts of Asia including the Philippines and Russia, realizing its vision of becoming one of the leading international gaming companies.

Melco’s group-wide profitability continues to be driven by the core gaming arm Melco Crown Entertainment Limited (“Melco Crown Entertainment”), an associate of the Group. Particularly crucial is the market-leading mass market table games business at City of Dreams, the flagship integrated entertainment resort with unique premium positioning and best-in-class gaming, hotel, entertainment and other food and beverage amenities in Macau. The integrated resort has continued to create compelling new gaming and entertainment experiences such as SOHO, the recently launched innovative dining and entertainment spot in Macau.

The preparation work for the fifth and final hotel tower at City of Dreams designed by the award-winning and internationally renowned architect Dame Zaha Hadid and her team is already underway and is expected to open in early 2017. Additionally, Studio City, Melco Crown Entertainment’s second large-scale resort in Cotai, remains on track to be the next standalone integrated property to open in Macau in mid-2015.

Melco's unique and exciting development pipeline moves the company closer to its goal of being an international leader in the gaming, leisure and entertainment industry. City of Dreams Manila is due to open later this year. The integrated resort investment partnership with Summit Ascent Holdings Limited ("Summit Ascent") in Russia's Primorye region will open in the last quarter of this year. A memorandum of understanding was signed with Veremonte España S.L.U. to take part in the Barcelona World Project as a casino operator as that market develops. The Group is well-positioned to diversify outside of Macau.

## CORE BUSINESS

### Gaming Business in Asia

The Group operates its gaming business through its major associate, Melco Crown Entertainment. In the first half of 2014, Melco Crown Entertainment delivered a solid financial performance driven primarily by its mass market table games business at City of Dreams. Net revenue and Adjusted property EBITDA amounted to US\$2,556.9 million and US\$701.1 million, respectively, in the first half of 2014, representing growth of 4.8% and 8.6%, respectively.

Melco Crown Entertainment has continued with its market-leading table and room optimization processes which have resulted in a further shift towards the less volatile and more profitable mass market segment. Mass market table games drop at City of Dreams increased by 22.4% to US\$2,629.9 million compared with US\$2,148.3 million in the first half of 2013. In addition to its success in the mass market gaming segment Melco Crown Entertainment has also made substantial improvements in City of Dreams' offerings and amenities to target the increased demand for non-gaming options in Macau. City of Dreams recorded a 9.8% year-over-year increase in total non-gaming revenue to US\$137.8 million in the first half of 2014.

This year marks the fifth anniversary of City of Dreams. During this time, City of Dreams has proudly introduced world-class amenities and attractions that cater to the premium mass market segment of Macau visitors and has earned numerous international accolades in the process. The internationally acclaimed water-based extravaganza, The House of Dancing Water, has already attracted more than 2.5 million patrons to over 1,500 performances since its launch in 2011. In March 2014, the show's purpose-built Dancing Water Theater played host to Asia's most prestigious film awards, "The 8th Asian Film Awards", marking the first time this mega event has been staged outside Hong Kong. Other noteworthy entertainment events hosted by the flagship property include TABOO, the highly alluring cabaret show at Club Cubic; SPLASH, the truly amazing poolside party series; and the performances of Franz Harary, the internationally renowned master illusionist. In addition, Melco Crown Entertainment continues to make substantial enhancements to the amenities at City of Dreams including the recently opened lifestyle entertainment and dining precinct, SOHO, and a substantial expansion of the property's luxury retail offering, The Shops at the Boulevard anticipated to be completed in 2016. These accomplishments exemplify Melco Crown Entertainment's vision of transforming Macau into the premier leisure and tourism destination in Asia.

The Group's ambitious development plans, both within and outside Macau, remain on schedule. Studio City, a cinematically-themed integrated resort, remains on track to open in mid-2015 and will be the next major property to open in Macau. The property is designed to supplement City of Dreams in targeting the premium end of the mass market and complement Altira Macau which caters to more exclusive VIP guests. Moreover, the Group is pleased to announce its partnership with the award-winning and internationally renowned "Queen of the Curve" architect, Dame Zaha Hadid on the design of the fifth hotel tower at City of Dreams. Expected to open in early 2017, the new tower will have 40 floors and a gross floor area of 150,000 square meters with approximately 780 guestrooms, suites and villas exceeding 5-star standards.

Beyond Macau, City of Dreams Manila is set to open later this year and marks Melco Crown Entertainment's maturation into an international player in the gaming and entertainment industry. City of Dreams Manila will feature a wide array of accommodations including the luxurious Crown Towers hotel, the trendsetting Nobu Hotel, and the business/leisure traveler-focused Hyatt City of Dreams Manila. Additionally, City of Dreams Manila is delighted to announce its collaboration with DreamWorks Animation in developing the world's first DreamWorks-inspired "Edutainment" center featuring an education-based interactive entertainment concept that will create a truly unique family attraction in the Philippines. With the opening of City of Dreams Manila, the Group will further demonstrate its expertise in developing and delivering world-class resorts and innovative entertainment experiences.

Elsewhere, Melco has partnered with Summit Ascent to capitalize on the potentially lucrative Russian gaming market by investing in the Primorye region's first casino project in Vladivostok, Russia. The Group has also signed a memorandum of understanding with Veremonte España S.L.U. earlier this year to take part in the Barcelona World Project as a casino operator.



City of Dreams' fifth hotel tower, designed by the award-winning and internationally renowned architect Dame Zaha Hadid, is expected to open in early 2017

**Gaming Machine Revenue Participation Business in Southeast Asia**

Entertainment Gaming Asia Inc. ("EGT"), a company listed on the NASDAQ Capital Market in which the Group has an effective equity interest of approximately 38.04%, recorded consolidated revenue of approximately US\$9.6 million for the first half of 2014, down 13% year-on-year due to declines in its slot operations and gaming chips and plaques business. EGT posted a consolidated net loss and Adjusted EBITDA from continuing operations of approximately US\$1.1 million and US\$3.1 million, respectively, for the first half of 2014. EGT recorded a cash balance of approximately US\$4.7 million and zero debt as of 30 June 2014.

EGT has an established presence in the gaming markets of Cambodia and the Philippines through its slot operations business. As of 30 June 2014, EGT had approximately 1,700 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., in NagaWorld Resort and Casino located in Phnom Penh, Cambodia. EGT's slot operations achieved an average daily net win of approximately US\$107 per machine seat for the first half of 2014, while its operations in NagaWorld achieved an average daily net win of approximately US\$189 per machine seat for the same period.

In June 2014, EGT closed its casino in the Pailin Province of Cambodia and entered into an agreement to sell 100% of the issued capital shares of its wholly-owned subsidiary established for the purposes of owning and operating the casino in Pailin. The operating performance of the casino did not meet EGT's expectations largely due to the limited natural player traffic and high costs associated with acquiring a quality player base in this market.

EGT continues to seek new gaming project opportunities in more established gaming markets in Indo-China and other Asian regions.

During the first half of 2014, EGT continued to expand its new manufacturing facilities in Hong Kong for its gaming chips and plaques business in an effort to raise production efficiencies and capacity in preparation for larger orders. EGT's gaming chips and plaques business generated US\$1.3 million in revenue during the first half of 2014 and has a solid pipeline of confirmed orders for the second half of 2014.

With a focus on expanding its gaming operations combined with its strong customer relationships and on-going product enhancement and diversification efforts for its gaming products, EGT has the potential to become a meaningful contributor to the Group in the future.

## Lottery Management Business in Asia

MelcoLot Limited (“MelcoLot”), which the Group holds 40.65% equity interest, is principally engaged in the provision of lottery-related technologies, systems and solutions to two state-run lottery operators in the PRC, China Welfare Lottery Issuance Centre and China Sports Lottery Administration Centre (“CSLA”). It has established an extensive presence in the PRC by managing a network of retail outlets in the country, as well as by providing maintenance and upgrade services for the rapid-draw game “Shi Shi Cai” in the Chongqing Municipality. MelcoLot is also a distributor of lottery terminals and hardware for CSLA.

During the review period, MelcoLot’s revenue declined by 28% to HK\$22.5 million attributable to a low pricing strategy in the lottery terminal and hardware distribution business to maintain market share in the face of slow demand. The distribution business continues to be the major revenue generator of MelcoLot and contributed to approximately 93% of its revenue for the first half of 2014, compared to 91% from the same period last year. The Company’s loss increased, amounting to HK\$20.8 million in the first half of 2014, compared to HK\$6.7 million recorded in the same period last year. The increase in losses is mainly attributable to the overall revenue decline, net foreign exchange losses, and increased employee benefits costs of approximately 29%. These losses were slightly offset by 14% decrease in finance cost.

We believe the PRC Government is committed to making the lottery industry more competitive and appealing to consumers in order to sustain long-term growth. Evidence of this commitment include the implementation of new regulations on the administration of lotteries, the introduction of new rapid-draw lottery games and new games in single-match sports betting, the increases in prize payout ratios, and the opening up of online and phone lottery distribution. MelcoLot aims to leverage its access to the world-class expertise of its strategic shareholders and increase its focus on new media technologies and sales platforms to capture opportunities in this potentially growing market.

MelcoLot also arranged an open offer and successfully raised gross proceeds of HK\$652.7 million in May 2014. The proceeds allowed MelcoLot to repay a loan of HK\$251.6 million to Melco and will help fund any potential acquisition opportunities for furthering its growth. MelcoLot will continue to evaluate business opportunities that support its ongoing development, which in turn helps realize its goal of delivering maximum long-term value to shareholders.



### **Ski Resort Business in China**

The Group owns 16.69% 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”).

The Club Med Yabuli business, which was established by a strategic partnership with Club Med Asie S.A. to operate and manage two of the hotels at Yabuli Resort, has been growing steadily over the winter season. A 37% year-on-year rise in revenue was reported in first quarter of 2014, the result of a shift in sales strategy that has focus on domestic market in China for the 2013-2014 winter season and overall improvements in service quality.

MCR is confident in the near-term prospects for both the ski industry in China and the company itself. The government of Heilongjiang Province has increased its investment in local infrastructure projects and is working on an interest subsidy scheme to spur development. Additionally, MCR will be the official partner and site of the 2016 World Championships of Snowboarding, the world’s premier snowboarding competition.

### **ACHIEVEMENTS AND AWARDS**

Melco has been committed to maintaining high standards of corporate governance and corporate social responsibility (“CSR”) along with achieving excellent financial performance. The Group has received a number of accolades during the period under review acknowledging its accomplishments towards these goals and demonstrating a broad level of support from various segments of society.

#### **Corporate Governance**

The Group’s dedication to maintaining the highest standards of corporate governance has been well recognized over the years. For the fourth year running, the Group captured the “Best Investor Relations by a Hong Kong Company” in the Asia Excellence Recognition Award presented by *Corporate Governance Asia* magazine in 2014. Melco was also selected as one of “Best Managed Companies in Hong Kong”, “Best Corporate Governance” and “Best Investor Relations” by *Finance Asia* magazine.

Additionally, the Group’s Annual Report has been awarded the Bronze Prize in the “Traditional Annual Report” category at the 2014 ARC Awards.

Apart from awards presented to the Group, Melco's management has also earned plaudits for its dedication and strong leadership. Group Chairman and Chief Executive Officer, Mr. Lawrence Ho was not only honored with the "Best CEO" by both the *Corporate Governance Asia* and *Finance Asia* magazine in 2014, but was also selected as the "Best CEO" in the gaming and lodging sector in the annual poll organized by *Institutional Investor* magazine. All of these accolades clearly show that the Group's efforts in corporate governance are widely recognized.

### Corporate Social Responsibility

Melco is committed to the betterment of society as well as caring for the environment and the community and regards corporate social responsibility as an essential part of its corporate mission.

In 2014, the Group received the "Best Environmental Responsibility" and "Best CSR" titles from *Corporate Governance Asia* magazine for the second year running. *Finance Asia* magazine also chose Melco when selecting the company with the "Best Corporate Social Responsibility" in 2014. To show our dedication to energy conservation, Melco has once again joined as the "Diamond Corporate Member" of WWF Hong Kong in 2014 for the fourth consecutive year.

This year, the Group's Corporate Social Responsibility Report has broadened its disclosure with the objective of fulfilling a B+ application level and giving our stakeholders a better picture of our CSR performance. The report has garnered the Gold Prize at the 2014 ARC Awards under the category of "Interactive Annual Report".



Melco supported the Education Grant Programme launched by Christian Action and invited ten outstanding students from Huangnan Children's Home to visit City of Dreams, Macau



Melco has always set environmental protection as one of the Group's key CSR pillars to contribute to a greener future for the next generation

### Business Operations

During the period under review, a number of prestigious hospitality industry accolades have been won by the Group. Crown Towers at City of Dreams was granted the Five-Star Award for Lodging and Spa by *Forbes Travel Guide* in 2014. Jade Dragon and The Tasting Room restaurants both received Five-Star Awards for Restaurants by *Forbes Travel Guide* in 2014 as well as a coveted Michelin Star each from the Michelin Guide Hong Kong and Macau. City of Dreams also earned the "VIP Room of the Year" title from the International Gaming Awards in 2014.

The luxurious Altira Macau garnered the Five-Star Award for Lodging and Spa from *Forbes Travel Guide* for the fifth consecutive year. It has also earned a certification for its Hazard Analysis and Critical Control Points (HACCP) system from the Société Générale de Surveillance Limited (SGS Hong Kong) for the first time. Additionally, Aurora at Altira Macau was selected by *Forbes Travel Guide* as a Five-Star Restaurant while Tenmasa and Ying were both honored with the Four-Star Restaurant Award.

These accolades highlight the Group's commitment to corporate governance and business excellence. They also underscore the recognition that Melco is receiving from around the world not just from associated industries but from the local communities we serve as well. Melco remains committed to its role as a responsible corporate citizen and to serving the interests of its stakeholders.

## OUTLOOK

Within Macau, the growth of gross gaming revenues has slowed down in recent months due primarily to the decline in VIP gaming revenues. Absent significant improvements in market conditions, market growth is expected to remain at a slower pace. However, in our view the gaming sector in Macau overall remains positive as the more profitable mass market segment continues to grow rapidly. Melco Crown Entertainment's strength has been in the premium end of the mass market and the exciting new resort Studio City will solidify Melco Crown Entertainment's leadership position in this segment of the market. As such, we remain confident in our ability to benefit from the growth in mass market visitation to Macau.

While an economic slowdown in China may negatively impact Macau, we believe the Central Government's strategic direction towards more sustainable and diversified growth are prudent and will have lasting benefits to the long-term economic development in Macau. Resorts scheduled to open in the next few years such as Studio City will offer a variety of innovative leisure and entertainment options in Macau and help to grow the market by appealing to completely new demographics. Existing visitors will have more reasons to extend their frequencies of visits and lengths of stay in Macau as well. These trends offer the potential to further expand the gaming industry which benefits all players. The upcoming improvements in infrastructure such as the construction of the Hong Kong-Zhuhai-Macau bridge and the Light Rail Transit elevated railway should further support industry growth by making Macau even more accessible and convenient to tourists. With its superior gaming offerings and non-gaming amenities, we believe Macau's prospects as a world-class leisure and hospitality destination remain as strong as ever.



City of Dreams Manila provides exhilarating gaming facilities, international standards of retail, hospitality and other innovative lifestyle and entertainment offerings when it opens later this year

The opening of the planned integrated resorts in the coming years will undoubtedly intensify competition and exacerbate the shortage of labor in Macau. We believe the expected increase in supply will be manageable and that even with this additional capacity, Macau's addressable market remains under-penetrated with substantial room for the whole sector to grow. The labor shortage has been an on-going challenge faced by all operators and Melco has implemented appropriate programs and policies in place to attract and retain talent. Thus, we feel well-positioned to meet the challenges ahead of us in Macau.

Elsewhere in Asia, Melco continues to explore new opportunities while construction of our projects in the development pipeline is proceeding according to plans. Our new integrated resort project in the Philippines, City of Dreams Manila, will feature world-class hotel brands including Asia's first Nobu Hotel, unique leisure and entertainment concepts such as the "DreamPlay by DreamWorks" family-oriented "Edutainment" center, and a number of different seasonal fiestas and performances. Our casino project in Vladivostok, Russia is expected to generate meaningful synergies with the Group's existing gaming and entertainment assets further enhancing Melco's reputation in the industry as a leading gaming and entertainment company. The Group is also actively eyeing potential opportunities in other countries such as Japan while EGT continues to seek new gaming project opportunities in Indo-China and other Asian regions. All in all, Melco is moving towards a more global and diversified business model. We remain confident about our future business prospects in Macau and the various overseas markets in which we operate.

Looking ahead, we expect our existing operations to continue to prosper and are optimistic about the projects in our development pipeline. We anticipate new opportunities will present themselves as the gaming industry continues to grow worldwide. Melco continues to strive to realize our vision of being a global market leader in the gaming, leisure and entertainment industry.



City of Dreams Manila collaborates with DreamWorks Animation to develop world's first education-based interactive entertainment concept, "DreamPlay by DreamWorks"

## FINANCIAL REVIEW

	Six-month period ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Segment Results:		
Gaming, Leisure and Entertainment	(18,494)	(14,344)
Property and Other Investments	15,843	55,605
	<b>(2,651)</b>	41,261
Share of profits of associates	1,055,908	659,066
Share of loss of a joint venture	(628)	–
Gain (loss) on deemed disposal of interest in an associate	4,687	(32,337)
Unallocated corporate income	–	22,684
Central administrative costs and other unallocated corporate expenses	(149,882)	(88,642)
Finance costs	(21,843)	(16,982)
Profit before tax	885,591	585,050
Income tax expense	(121)	(5,608)
Profit for the period	885,470	579,442
Non-controlling interests	22,162	(2,563)
Profit for the period attributable to owners of the Company	<b>907,632</b>	576,879

For the six-month period ended 30 June 2014, the Group reported profit attributable to owners of the Company of HK\$907.6 million compared to HK\$576.9 million for the same period in 2013.

## SEGMENT RESULTS

### Gaming, Leisure and Entertainment

The gaming, leisure and entertainment businesses are mainly formed by the core (i) Macau gaming business (conducted via 33.55%-owned Melco Crown Entertainment), (ii) gaming machine revenue participation business (conducted through 38.04%-owned EGT), in which the brief descriptions for the performance of the core Macau gaming business and gaming machine revenue participation business for the six-month period ended 30 June 2014 are included under the heading "SHARE OF PROFITS OF ASSOCIATES" below, and (iii) lottery business (conducted through 40.65%-owned MelcoLot), together with other non-core businesses.

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

	Six-month period ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
MelcoLot (1)	(18,339)	(2,745)
Jumbo Kingdom (2)	150	(11,569)
Others (3)	(305)	(30)
	<b>(18,494)</b>	<b>(14,344)</b>



Featuring 16 restaurants and bars and daily live performances, SOHO at City of Dreams delivers innovative entertainment and amazing dining experiences in a cool urban environment

## **(1) MelcoLot**

MelcoLot continues to be engaged in a single operating segment which is the lottery business. MelcoLot's loss for the six-month period ended 30 June 2014 amounted to HK\$20.8 million (six-month period ended 30 June 2013: HK\$6.7 million). It was mainly attributable to the following items:

- (i) the overall decrease in revenue, especially for sales of lottery terminals and hardware;
- (ii) net foreign exchange loss amounted to HK\$7.0 million for the six-month period ended 30 June 2014 (six-month period ended 30 June 2013: gain of HK\$3.8 million);
- (iii) employee benefits costs were increased to HK\$8.7 million for the six-month period ended 30 June 2014, or an increase of approximately 29% compared to HK\$6.7 million for the corresponding period in 2013. The increase was primarily due to the non-cash expenses from the share option scheme granted in July 2013; and
- (iv) finance costs decreased by approximately 14% from HK\$3.6 million for the six-month period ended 30 June 2013 to HK\$3.1 million for the corresponding period in 2014. The decrease was primarily due to the full settlement of the amount due to immediate holding company in June 2014.

## **(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.

The catering business segment resulted a profit of HK\$0.2 million for the six-month period ended 30 June 2014 while a loss of HK\$11.6 million for the same period in 2013.

J-Kitchen in Beijing was closed in June 2013 due to underperformance and recorded an operating loss of HK\$3.6 million and HK\$8.0 million expenses in relation to the closure of business during the six-month period ended 30 June 2013.

## **(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-month period ended 30 June 2014, it recorded a segment profit of HK\$15.8 million (six-month period ended 30 June 2013: HK\$55.6 million). The decrease was mainly due to the HK\$46.0 million fair value gain on investment properties recorded in 2013 partially offset by the HK\$5.9 million increase in interest income to HK\$15.1 million in the first half of 2014 from 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-month period ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Share of profit of Melco Crown Entertainment (1)	1,055,908	659,373
Others	–	(307)
	<b>1,055,908</b>	<b>659,066</b>



Macau's trendsetting lifestyle entertainment and dining hotspot SOHO brings world-class culinary and cosmopolitan lifestyle to Macau

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. In paragraph (2) below, the performance of EGT during the first half of 2014 is briefly described.

#### **(1) Share of profit of Melco Crown Entertainment**

For the period under review, the Group's attributable profit arising from its 33.55% ownership of Melco Crown Entertainment amounted to approximately HK\$1,055.9 million (six-month period ended 30 June 2013: HK\$659.4 million) after taking into account the adjustments in accordance with Hong Kong Financial Reporting Standards.

According to the unaudited results (prepared in accordance with the United States Generally Accepted Accounting Principles ("U.S. GAAP")) of Melco Crown Entertainment announced on 7 August 2014, it reported net revenue of US\$2,556.9 million for the six-month period ended 30 June 2014 versus US\$2,440.0 million in the six-month period ending 30 June 2013. The increase in net revenue was primarily driven by improved group-wide mass market table games revenues, partially offset by a decrease in group-wide rolling chip revenues.

The Adjusted property EBITDA was US\$701.1 million for the first six months of 2014, as compared to Adjusted property EBITDA of US\$645.7 million in the first six months of 2013. The year-over-year improvements in Adjusted property EBITDA was driven by strong mass market with the ongoing commitment to control costs.

Net income attributable to Melco Crown Entertainment for the first half of 2014 was US\$383.2 million, compared with net income attributable to Melco Crown Entertainment of US\$234.8 million in the corresponding period of 2013.

##### *City of Dreams*

For the six-month period ended 30 June 2014, net revenue at City of Dreams was US\$2,041.5 million compared to US\$1,803.0 million in the same period of 2013. City of Dreams generated Adjusted EBITDA of US\$631.6 million in the first half of 2014, representing an increase of 15% compared to US\$547.1 million in the comparable period of 2013. Rolling chip volume totaled US\$46.8 billion for the first half of 2014 versus US\$48.6 billion in the same period of 2013. The rolling chip win rate was 3.0% and 2.7% in the first quarter and second quarter of 2014 respectively. The expected rolling chip win rate range is 2.7% – 3.0%. Mass market table games drop increased 22% to US\$2,629.9 million compared with US\$2,148.3 million in the comparable period of 2013. The mass table games hold percentage was 37.5% in the first quarter and 37.4% in the second quarter of 2014. Slot handle for the six-month period ended 30 June 2014 was US\$3,001.1 million, up 35% from US\$2,222.8 million generated for the six-month period ended 30 June 2013. Total non-gaming revenue at City of Dreams



The all-new playful season of *TABOO* at City of Dreams was unveiled with the exciting collaboration with Asian diva Miriam Yeung

in the first half of 2014 was US\$137.8 million, up from US\$125.5 million for the same period in 2013.

#### *Altira Macau*

For the six-month period ended 30 June 2014, net revenue at Altira Macau was US\$411.4 million compared to US\$543.8 million in the same period of 2013. Altira Macau generated Adjusted EBITDA of US\$50.3 million in the current review period compared with Adjusted EBITDA of US\$81.5 million in the comparable period in 2013. Rolling chip volume totaled US\$18.4 billion in the first half of 2014 versus US\$23.6 billion in the same period of 2013. The rolling chip win rate was 2.9% in the first quarter and 2.7% 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 totaled US\$400.6 million, an increase of 19% from US\$336.9 million generated in the comparable period of 2013. In the first quarter of 2014, the mass market hold rate was 13.3% while in the second quarter, it was 15.9%. Total non-gaming revenue at Altira Macau in the first half of 2014 was US\$18.5 million, slightly increased from US\$18.2 million for the same period in 2013.

#### *Mocha Clubs*

Net revenue from Mocha Clubs totaled US\$76.1 million in the six-month period ended 30 June 2014, up from US\$71.2 million in the corresponding period of 2013. Mocha Clubs generated US\$19.9 million of Adjusted EBITDA in the review period, an increase of 9% when compared to Adjusted EBITDA of US\$18.3 million in the same period of 2013. The number of gaming machines in operation at Mocha Clubs averaged approximately 1,400 and 1,200 in the first and second

quarter of 2014, compared to approximately 2,000 in both comparable period in 2013. The average net win per gaming machine per day was US\$316 in the first quarter and US\$331 in the second quarter of 2014, as compared with US\$214 and US\$207 in the comparable period of 2013.

#### *City of Dreams Manila*

Melco Crown Entertainment incurred approximately US\$25.7 million of operating expenses in the six-month period ended 30 June 2014 at City of Dreams Manila, which primarily related to pre-opening costs as well as share based compensation cost, and recorded a net loss of approximately US\$54.0 million, as a result of approximately US\$9.3 million interest expense on the PHP15 billion senior notes and US\$15.7 million of capital lease charges relating to building lease payments, net of capitalized interest, incurred during the first half of 2014.

## **(2) Performance of EGT during the review period**

According to the unaudited result (prepared in accordance with U.S. GAAP) of EGT, consolidated revenue for the six-month period ended 30 June 2014 was US\$9.6 million, a decrease of 13% compared to US\$11.0 million in the same period of 2013 due to a decline in gaming operations revenue partially offset by an increase in gaming products sales. For the six-month period ended 30 June 2014, EGT reported a net loss of US\$1.1 million compared to US\$2.8 million in the same period of 2013. The net loss in the current interim period included a net loss of US\$0.4 million from the discontinued Dreamworld Pailin operation.

As of 30 June 2014, electronic gaming machine seats in operation were 1,694. Out of the total units, 568 were installed in the Philippines and 1,126 were installed in Cambodia.

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

During the period ended 30 June 2014, the Group recognised a gain of approximately HK\$4.7 million (six-month period ended 30 June 2013: loss of HK\$32.3 million) which represented the increase (six-month period ended 30 June 2013: decrease) in net assets attributable to the Group as a result of a decrease in the Group's ownership interest in one of its associates, Melco Crown Entertainment, from the vesting of certain restricted shares and the exercise of share options of Melco Crown Entertainment.

## **UNALLOCATED CORPORATE INCOME**

For the six-month period ended 30 June 2013, an impaired loan to MCR amounted to CAD3.0 million (equivalent to approximately HK\$22.7 million) was recovered.



Since its debut four years prior, *The House of Dancing Water* has garnered a growing international reputation as one of the world's most awe-inspiring productions

## CENTRAL ADMINISTRATIVE COSTS AND OTHER UNALLOCATED CORPORATE EXPENSES

Unallocated corporate expenses rose by 69% from approximately HK\$88.6 million for the six-month period ended 30 June 2013 to HK\$149.9 million for the same period in 2014. The increase was primarily due to the increase in share options and share award expenses and an one-off expense in connection with MelcoLot's open offer during the period.

## FINANCE COSTS

Finance costs increased by 28% from approximately HK\$17.0 million for the six-month period ended 30 June 2013 to approximately HK\$21.8 million for the six-month period ended 30 June 2014. It represented the increase in interest expenses of HK\$6.2 million on the HK\$760.0 million guaranteed bonds newly raised in February 2013.

## INCOME TAX EXPENSE

During the period under review, tax expense represents the PRC enterprise income tax expense.

## 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 2014, total assets of the Group were HK\$14,745.6 million (31 December 2013: HK\$12,943.1 million) which were financed by shareholders' funds of HK\$12,814.1 million (31 December 2013: HK\$11,689.0 million), balance of

non-controlling interests of HK\$288.8 million (31 December 2013: deficit balance of HK\$73.6 million), current liabilities of HK\$840.7 million (31 December 2013: HK\$133.2 million), and non-current liabilities of HK\$802.0 million (31 December 2013: HK\$1,194.5 million). The Group's current ratio, expressed as current assets over current liabilities, was maintained at a satisfactory level of 3.5 (31 December 2013: 12.3).

During the six-month period ended 30 June 2014, the Group recorded a net cash inflow of HK\$970.2 million (six-month period ended 30 June 2013: HK\$7.9 million). As of 30 June 2014, cash and cash equivalents of the Group totaled HK\$1,175.7 million (31 December 2013: HK\$205.5 million). The gearing ratio, expressed as a percentage of total borrowings over shareholders' funds, was at a satisfactory level of 9% as of 30 June 2014 (31 December 2013: 10%). In illustrating the Group's adoption of a prudent treasury policy, 93% of bank balances and cash are put in short-term fixed deposits. All borrowings, bank deposits 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 2014, the Group's bank deposits of approximately HK\$0.9 million (31 December 2013: HK\$0.9 million) were pledged as security for obtaining utilities for certain subsidiaries of the Group.

As at 30 June 2014, 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 2014, the Group's total available bank loan facilities from various banks amounted to HK\$456.7 million (31 December 2013: HK\$459.2 million), of which HK\$41.7 million (31 December 2013: HK\$44.2 million) was secured by pledging HK\$159.0 million of the Group's investment properties. As at 30 June 2014, the Group utilised HK\$413.0 million and HK\$41.7 million of unsecured and secured bank loan facilities respectively (31 December 2013: unsecured HK\$413.0 million; secured HK\$44.2 million). Details of bank and other borrowings are given in Note 15 to the condensed consolidated financial statements.

## **MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS**

During the period under review, the Group disposed of 74,208,000 MelcoLot's shares (the "Disposal"), representing 2.36% of the issued share capital of MelcoLot as at 30 June 2014, for an aggregate consideration, net of expenses, of approximately HK\$110.2 million received in cash in the open market. The consideration was calculated by reference to the market share price of the MelcoLot at the date of the disposal.

The gain in respect of the Disposal was approximately HK\$117.0 million, was calculated by (a) adding the net liabilities of MelcoLot attributable to the non-controlling interests of approximately HK\$6.8 million and (b) deducting the related costs and expenses of the disposal of approximately HK\$0.4 million from the gross proceeds of the Disposal of approximately HK\$110.6 million, has been credited to special reserve.

## HEADCOUNT/EMPLOYEES' INFORMATION

The total number of the Group's and associates' employees was 12,995 as of 30 June 2014. 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 250 as of 30 June 2014 (31 December 2013: 254 employees). Among the 250 employees, 222 are located in Hong Kong and the rest are based in Macau and the PRC. The related staff costs for the six-month period ended 30 June 2014, including directors' emoluments, share option expenses and share award expenses, amounted to HK\$148.1 million (six-month period ended 30 June 2013: HK\$103.1 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 its business success.

## CONTINGENT LIABILITIES

No contingent liability was noted for the Group as at 30 June 2014.

## 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 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 24 to 43, which comprise the condensed consolidated statement of financial position as of 30 June 2014 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

28 August 2014

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

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

	Notes	Six-month period ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue	3	89,556	94,414
Other income		6,955	34,391
Investment income		1,338	2,101
Purchase and changes in inventories of finished goods		(32,791)	(40,459)
Employee benefits expense		(148,144)	(103,063)
Depreciation of property, plant and equipment		(2,826)	(3,661)
Increase in fair value of investment properties		–	46,000
Gain (loss) on deemed disposal of interest in an associate	4	4,687	(32,337)
Share of loss of a joint venture		(628)	–
Share of profits of associates	11	1,055,908	659,066
Other expenses		(66,621)	(54,420)
Finance costs		(21,843)	(16,982)
Profit before tax	5	885,591	585,050
Income tax expense	6	(121)	(5,608)
Profit for the period		885,470	579,442
<b>Other comprehensive income (expense)</b>			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		7,067	(3,469)
Fair value loss on available-for-sale investments		(1,444)	–
Share of exchange difference of an associate		10,474	(22,185)
Share of exchange difference of a joint venture		156	–
Other comprehensive income (expense) for the period, net of income tax		16,253	(25,654)
Total comprehensive income for the period		901,723	553,788
Profit (loss) for the period attributable to:			
Owners of the Company		907,632	576,879
Non-controlling interests		(22,162)	2,563
		885,470	579,442

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Six-month period ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		919,677	552,829
Non-controlling interests		(17,954)	959
		<b>901,723</b>	<b>553,788</b>
Earnings per share	8		
Basic (HK cents)		<b>58.9</b>	37.6
Diluted (HK cents)		<b>57.3</b>	36.8

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014

	Notes	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
<b>Non-current assets</b>			
Investment properties	9 & 10	159,000	159,000
Property, plant and equipment	9	12,022	14,281
Other intangible assets		5,700	5,700
Interests in joint ventures		27,562	28,034
Interests in associates	11	11,624,545	11,088,180
Available-for-sale investments		–	5,825
		<b>11,828,829</b>	<b>11,301,020</b>
<b>Current assets</b>			
Inventories		2,031	2,345
Trade receivables	12	24,432	43,824
Prepayments, deposits and other receivables		37,652	37,023
Available-for-sale investments		4,381	–
Held-for-trading investments		173	175
Amounts due from associates	13	1,969	12,164
Amount due from a related company	13	58	441
Pledged bank deposits	10	947	947
Bank deposits with original maturity over three months		1,669,431	1,339,590
Bank balances and cash		1,175,727	205,542
		<b>2,916,801</b>	<b>1,642,051</b>
<b>Current liabilities</b>			
Trade payables	14	25,387	18,741
Other payables		39,333	53,562
Dividend payable		325,093	184
Taxation payable		32,897	32,778
Borrowings – due within one year	15	417,980	27,980
		<b>840,690</b>	<b>133,245</b>
<b>Net current assets</b>		<b>2,076,111</b>	<b>1,508,806</b>
<b>Total assets less current liabilities</b>		<b>13,904,940</b>	<b>12,809,826</b>

# Condensed Consolidated Statement of Financial Position

	Notes	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Deferred tax liabilities		5,229	5,229
Borrowings – due after one year	15	796,760	1,189,250
		<b>801,989</b>	1,194,479
		<b>13,102,951</b>	11,615,347
<b>Capital and reserves</b>			
Share capital	16	5,435,065	768,190
Reserves		7,379,110	10,920,758
Equity attributable to owners of the Company		<b>12,814,175</b>	11,688,948
Non-controlling interests		<b>288,776</b>	(73,601)
		<b>13,102,951</b>	11,615,347

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

	Attributable to owners of the Company													
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Special 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 expense 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 for the share award schemes	-	-	-	-	-	-	-	-	(3,278)	-	-	(3,278)	-	(3,278)
Shares vested under the share award scheme	-	-	-	-	-	-	-	-	30,658	(38,050)	7,392	-	-	-
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	-	-	(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 (ii))	-	-	-	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	10,585,406	(74,626)	10,490,780

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Special 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 2014 (Audited)	768,190	4,418,042	211,475	698,278	5,796	202,575	(40,369)	168,030	(100,075)	12,574	5,344,432	11,688,948	(73,601)	11,615,347
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	2,859	-	-	-	-	2,859	4,208	7,067
Share of other comprehensive income of an associate	-	-	-	-	-	-	10,474	-	-	-	-	10,474	-	10,474
Share of other comprehensive income of a joint venture	-	-	-	-	-	-	156	-	-	-	-	156	-	156
Fair value loss on available-for-sale investments	-	-	-	-	-	(1,444)	-	-	-	-	-	(1,444)	-	(1,444)
Other comprehensive (expense) income for the period	-	-	-	-	-	(1,444)	13,489	-	-	-	-	12,045	4,208	16,253
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	-	907,632	907,632	(22,162)	885,470
Total comprehensive (expense) income for the period	-	-	-	-	-	(1,444)	13,489	-	-	-	907,632	919,677	(17,954)	901,723
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (note (i))	4,418,042	(4,418,042)	-	-	-	-	-	(86,363)	-	-	-	-	-	-
Exercise of share options	248,833	-	-	-	-	-	-	59,014	-	40,639	-	162,470	-	162,470
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	(72)	-	-	72	99,653	1,363	101,016
Transfer of share option reserve upon expiry of share options	-	-	-	-	-	-	-	-	62,691	(46,065)	(16,626)	-	-	-
Shares vested under the share award scheme	-	-	-	-	-	-	-	-	-	-	-	1,623	(1,623)	-
Deemed disposal of partial interest in a subsidiary	-	-	-	1,623	-	-	-	-	-	-	-	116,977	(6,774)	110,203
Disposal of partial interest in a subsidiary	-	-	-	116,977	-	-	-	-	-	-	-	116,977	(6,774)	110,203
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(324,909)	(324,909)	(3,320)	(328,229)
Dividend recognized as distribution (Note 7)	-	-	-	-	-	-	-	-	-	-	(324,909)	(324,909)	(3,320)	(338,229)
Share of net assets changes of an associate (note (ii))	-	-	-	149,736	-	-	-	-	-	-	-	149,736	-	149,736
Contribution from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	149,736	390,685	390,685
At 30 June 2014 (Unaudited)	5,435,065	-	211,475	966,614	5,796	201,131	(26,880)	140,609	(67,364)	7,148	5,910,601	12,814,175	288,776	13,102,951

Notes:

- (i) The Company's shares have no par value from the commencement date of Chapter 622 of the new Hong Kong Companies Ordinance (i.e. 3 March 2014).
- (ii) 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").

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

	Six-month period ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Net cash used in operating activities	(14,541)	(48,516)
Net cash from (used in) investing activities:		
Redemption of bank deposits with original maturity over three months	936,982	442,896
Dividend received	685,780	2,149
Placement of bank deposits with original maturity over three months	(1,266,823)	(1,139,147)
Other investing cash flows	(636)	23,953
	<b>355,303</b>	(670,149)
Net cash from financing activities:		
Gross proceeds from an open offer of a subsidiary	387,123	–
Proceeds from exercise of share options	162,470	9,254
Proceeds from disposal of partial interest in a subsidiary	110,203	–
Capital contribution from non-controlling shareholders	3,562	7,385
Dividend paid	(9,602)	(280)
Repayments of bank borrowings	(2,490)	(29,490)
Proceeds from issuance of guaranteed bonds	–	760,000
Purchase of shares for the share award schemes	–	(3,278)
Other financing cash flows	(21,843)	(16,982)
	<b>629,423</b>	726,609
Net increase in cash and cash equivalents	<b>970,185</b>	7,944
Cash and cash equivalents at 1 January	<b>205,542</b>	155,856
Cash and cash equivalents at 30 June, represented by bank balances and cash	<b>1,175,727</b>	163,800



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

## 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-month period ended 30 June 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities*;
- Amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities*;
- Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*;
- Amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*; and
- HK(IFRIC) – Int 21 *Leases*

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

### 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 lottery-related technologies, system and solutions and distribution of high quality versatile lottery terminals and hardware.
- (2) Property and Other Investments Segment: It mainly comprises investment properties, available-for-sale investments and related segment bank balances, which generate dividend income, interest income and property rental income.

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-month period ended 30 June 2014 (Unaudited):

	Gaming, Leisure and Entertainment HK\$'000	Property and Other Investments HK\$'000	Segments' Total HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
External sales	72,859	16,697	89,556	-	89,556
Inter-segment sales	279	744	1,023	(1,023)	-
Total revenue	<u>73,138</u>	<u>17,441</u>	<u>90,579</u>	<u>(1,023)</u>	<u>89,556</u>
Segment results	<u>(18,494)</u>	<u>15,843</u>	<u>(2,651)</u>	<u>-</u>	<u>(2,651)</u>
Central administrative costs and other unallocated corporate expenses					(149,882)
Finance costs					(21,843)
Gain on deemed disposal of interest in an associate					4,687
Share of loss of a joint venture					(628)
Share of profits of associates					1,055,908
Profit before tax					<u>885,591</u>

**3. REVENUE AND SEGMENTAL INFORMATION – continued**

Six-month period ended 30 June 2013 (Unaudited):

	Gaming, Leisure and Entertainment HK\$'000	Property and Other Investments HK\$'000	Segments' 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					<u>659,066</u>
Profit before tax					<u>585,050</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

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Gaming, Leisure and Entertainment	45,525	67,529
Property and Other Investments	3,008,539	1,710,193
Total segment assets	<b>3,054,064</b>	1,777,722
Interests in associates	<b>11,624,545</b>	11,088,180
Interests in joint ventures	<b>27,562</b>	28,034
Unallocated assets	<b>39,459</b>	49,135
Consolidated assets	<b>14,745,630</b>	12,943,071

#### Segment liabilities

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Gaming, Leisure and Entertainment	49,855	49,476
Property and Other Investments	108	108
Total segment liabilities	<b>49,963</b>	49,584
Unallocated liabilities	<b>1,592,716</b>	1,278,140
Consolidated liabilities	<b>1,642,679</b>	1,327,724

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

- all assets are allocated to operating segments other than interests in joint ventures, interests in associates, amounts due from associates, amount due from a related company, pledged bank deposits and other assets not attributable to respective segment.
- all liabilities are allocated to operating segments other than dividend payable, taxation payable, borrowings, deferred tax liabilities and other liabilities not attributable to respective segment.

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

During the six-month period ended 30 June 2014, the Group recognised a gain of approximately HK\$4,687,000 (six-month period ended 30 June 2013: loss of HK\$32,337,000) which represented the increase (six-month period ended 30 June 2013: decrease) in net assets attributable to the Group as a result of a decrease in the Group's ownership interest in one of its associates, Melco Crown Entertainment, from the vesting of certain restricted shares and the exercise of share options of Melco Crown Entertainment.

#### 5. PROFIT BEFORE TAX

	Six-month period ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Profit before tax has been arrived at after charging:		
Loss from fair value change of held-for-trading investments (included in investment income)	2	48
Impairment loss on property, plant and equipment (included in other expenses)	–	6,297
Share of tax expense of associates included in share of profits of associates	7,812	–
and after crediting:		
Dividend income from unlisted investments (included in investment income)	1,340	2,149
Share of tax credit of associates included in share of profits of associates	–	3,550
Recovery of loan to an associate (included in other income)	–	22,684

## 6. INCOME TAX EXPENSE

	Six-month period ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
PRC Enterprise Income Tax – current period	121	88
Deferred taxation – current period	–	5,520
	<b>121</b>	<b>5,608</b>

No provision for Hong Kong Profits Tax during the six-month periods ended 30 June 2014 and 2013 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-month period ended 30 June 2013, the deferred taxation expense represented the temporary differences arising from the fair value gain of overseas investment properties.

## 7. DIVIDEND

During the six-month period ended 30 June 2014, a final dividend of HK20.8 cents per share, totalling HK\$324,909,000, in respect of the year ended 31 December 2013 was declared to the shareholders of the Company (six-month period ended 30 June 2013: HK1.5 cents per share, totalling HK\$22,994,000, in respect of the year ended 31 December 2012 was declared to the shareholders of the Company).

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK11.6 cents per share, totalling HK\$181,220,000, (six-month period ended 30 June 2013: Nil) will be paid to the shareholders of the Company.

## 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-month period ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	907,632	576,879
Effect of dilutive potential ordinary shares: Adjustment in relation to share options and awarded shares issued by an associate of the Group	(8,967)	(5,793)
Earnings for the purpose of diluted earnings per share	898,665	571,086
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,540,783,813	1,532,890,845
Effect of dilutive potential ordinary shares: Share options and awarded shares issued by the Company	27,740,346	17,856,510
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,568,524,159	1,550,747,355

*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 six-month periods ended 30 June 2014 and 2013, 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 prices of those options and unvested awarded shares are higher than the average market price of the Company's shares for the relevant period.

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

During the current interim period, the Group spent approximately HK\$671,000 (six-month period ended 30 June 2013: HK\$888,000) mainly on furniture, fixtures and equipment for the Group's office premises.

The fair values of the Group's investment properties as at 30 June 2014 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.

## **10. PLEDGE OF ASSETS**

As at 30 June 2014, the Group's bank deposits and investment properties which amounted to approximately HK\$947,000 (31 December 2013: HK\$947,000) and HK\$159,000,000 (31 December 2013: HK\$159,000,000), respectively, were pledged as security for obtaining utilities and banking facilities for the Group.

## **11. INTERESTS IN ASSOCIATES**

As at 30 June 2014, the Group held approximately 33.55% (31 December 2013: 33.55%) interests in Melco Crown Entertainment, 16.69% (31 December 2013: 16.69%) interests in Mountain China Resorts (Holding) Limited ("MCR"), 38.04% (31 December 2013: 38.14%) interests in Entertainment Gaming Asia Inc. ("EGT") and 40.00% (31 December 2013: 40.00%) interests in ChariLot Company Limited. During the six-month period ended 30 June 2014, the Group recognised share of profits of these associates of approximately HK\$1,055,908,000 (six-month period ended 30 June 2013: HK\$659,066,000) and share of net assets changes of approximately HK\$149,736,000 (six-month period ended 30 June 2013: HK\$595,680,000), 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 the partial interest in MCP related to the issuance of shares to independent third parties during the current interim period. The investment costs of MCR and EGT 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 180 days to its trade customers related to the lottery business from the Gaming, Leisure and Entertainment segment.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on invoice dates at the end of the reporting period, which approximated to the respective revenue recognition dates.

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Within 30 days	<b>13,499</b>	15,342
31 – 90 days	<b>345</b>	1,456
91 – 180 days	<b>10,480</b>	11,964
Over 180 days	<b>108</b>	15,062
	<b>24,432</b>	43,824

### 13. AMOUNTS DUE FROM ASSOCIATES AND A RELATED COMPANY

Included in amounts due from associates are:

- a) amount due from an associate consists of approximately HK\$2,378,000 (31 December 2013: HK\$2,373,000) is unsecured, non-interest bearing and repayable on demand and approximately HK\$165,761,000 (31 December 2013: HK\$165,761,000) is unsecured, interest bearing at 3% per annum and repayable on demand. All of the above balances were fully impaired as at 30 June 2014 and 31 December 2013; and
- b) the remaining amounts due from associates are unsecured, non-interest bearing and repayable on demand.

Amount due from a related company is unsecured, non-interest bearing and repayable on demand. Mr. Ho, Lawrence Yau Lung, a shareholder with significant influence of holding over 20% shareholding and director of the Company, has significant shareholding in that related company. Maximum amount outstanding during the six-month period ended 30 June 2014 was approximately HK\$58,000 (year ended 31 December 2013: HK\$441,000).

### 14. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Within 30 days	<b>13,206</b>	2,980
31 – 90 days	–	–
Over 90 days	<b>12,181</b>	15,761
	<b>25,387</b>	18,741

## 15. BORROWINGS

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Bank loans (note (i))	<b>454,740</b>	457,230
Other borrowings (note (ii))	<b>760,000</b>	760,000
	<b>1,214,740</b>	1,217,230
Secured	<b>41,740</b>	44,230
Unsecured	<b>1,173,000</b>	1,173,000
	<b>1,214,740</b>	1,217,230
Carrying amount repayable:		
Within one year		
– With repayable on demand clause	<b>23,000</b>	23,000
– Without repayable on demand clause	<b>394,980</b>	4,980
More than one year, but not exceeding two years	<b>4,980</b>	394,980
More than two years, but not exceeding five years	<b>774,940</b>	774,940
Exceeding five years	<b>16,840</b>	19,330
	<b>1,214,740</b>	1,217,230
Less: Amounts due within one year shown under current liabilities	<b>(417,980)</b>	(27,980)
	<b>796,760</b>	1,189,250

## 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 2013: 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.

## 16. SHARE CAPITAL

	Number of ordinary shares		Amount	
	30 June 2014 (Unaudited)	31 December 2013 (Audited)	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Authorised:				
At the beginning and end of the period/year (note (i))	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>N/A</u>	<u>1,000,000</u>
Issued and fully paid:				
At the beginning of the period/year of HK\$0.5 each	<u>1,536,380,567</u>	<u>1,532,966,567</u>	<u>768,190</u>	<u>766,483</u>
Transfer from share premium upon abolition (note (ii)) of par value under the new Hong Kong Companies Ordinance effective on 3 March 2014	-	-	4,418,042	-
Exercise of share options	<u>25,863,988</u>	<u>3,414,000</u>	<u>248,833</u>	<u>1,707</u>
At the end of the period/year – ordinary shares with no par value/HK\$0.5 each	<u>1,562,244,555</u>	<u>1,536,380,567</u>	<u>5,435,065</u>	<u>768,190</u>

### Notes:

- (i) Under Chapter 622 of the new Hong Kong Companies Ordinance, the concept of “authorised share capital” had been abolished and the Company’s shares no longer have a par value. However, the Company is required to disclose the authorised capital if the Company include a maximum number of shares in its articles of association.
- (ii) The Company’s shares have no par value from the commencement date of Chapter 622 of the new Hong Kong Companies Ordinance (i.e. 3 March 2014).

The shares issued during the period/year rank pari passu in all respects with the then existing shares. As at 30 June 2014, the Company’s 1,400,385 (31 December 2013: 3,750,385) and 75,000 (31 December 2013: 75,000) issued shares with aggregate weighted average cost of approximately HK\$37,358,000 (31 December 2013: HK\$100,050,000) and HK\$38,000 (31 December 2013: HK\$38,000), respectively, were held by the Company’s share purchase scheme and share subscription scheme, respectively.

**17. RELATED PARTY TRANSACTIONS**

- a) Significant related party transactions are as follows:

	<b>Six-month period ended</b>	
	<b>30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Catering income received from directors and related companies	<b>847</b>	897
Rental income received from an associate	–	2,281
Service income received from associates	<b>5,471</b>	5,452
Service income received from a related company	<b>120</b>	–

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 six-month period was as follows:

	<b>Six-month period ended</b>	
	<b>30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Short-term benefits	<b>12,496</b>	10,709
Post-employment benefits	<b>56</b>	54
Share-based payments	<b>88,108</b>	46,337
	<b>100,660</b>	57,100

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

# OTHER INFORMATION

## INTERIM DIVIDEND

The board of directors of the Company (the “Board”) has resolved to declare an interim dividend of HK11.6 cents (six-month period ended 30 June 2013: Nil) per share for the six-month period ended 30 June 2014 to shareholders whose names appear on the Register of Members of the Company on Thursday, 18 September 2014. The dividend will be paid on Tuesday, 30 September 2014.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 16 September 2014 to Thursday, 18 September 2014, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share certificates with completed transfer forms must be lodged with the Company’s share registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 15 September 2014.

## 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-month period ended 30 June 2014 or at any time during such period.

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2014, the interests and short position of each director and chief executive of the Company and their respective associates in the shares, underlying shares and debentures 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 the Company

Name of Director	Number of ordinary shares held			Total	Approximate % of issued shares
	Personal	Corporate	Other		
	interests (Note 2)	interests (Note 3)	interests (Note 4)		
Mr. Ho, Lawrence Yau Lung	25,299,132	437,063,077 (Note 5)	298,982,187 (Note 6)	761,344,396	48.73%
Mr. Tsui Che Yin, Frank	4,547,660	-	-	4,547,660	0.29%
Mr. Chung Yuk Man, Clarence	4,933,440	-	-	4,933,440	0.32%
Mr. Ng Ching Wo	72,000	-	-	72,000	0.005%
Sir Roger Lobo	72,000	-	-	72,000	0.005%
Mr. Sham Sui Leung, Daniel	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	Approximate % of issued shares
Mr. Ho, Lawrence Yau Lung	1,700,000	1,100,000	2,800,000	0.18%
Mr. Tsui Che Yin, Frank	3,070,000	–	3,070,000	0.20%
Mr. Chung Yuk Man, Clarence	2,520,000	–	2,520,000	0.16%
Mr. Ng Ching Wo	1,412,000	–	1,412,000	0.09%
Sir Roger Lobo	1,412,000	–	1,412,000	0.09%
Mr. Sham Sui Leung, Daniel	1,112,000	–	1,112,000	0.07%
Dr. Tyen Kan Hee, Anthony	910,000	–	910,000	0.06%

Notes:

1. As at 30 June 2014, the total number of issued shares of the Company was 1,562,244,555.
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. This represents interests held by the relevant director through a discretionary trust of which the relevant director is a beneficiary.
5. Of the 437,063,077 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 25,727,447 shares were held by Mighty Dragon Developments Limited, representing approximately 18.47%, 7.39%, 0.47% and 1.65% 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 437,063,077 shares held by the aforesaid companies/trust.
6. 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 19.14% 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. Ho, Lawrence Yau Lung and his immediate family members.
7. 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.
8. 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 listed subsidiary of the Company)**

**(a) Ordinary shares of MelcoLot**

Name of Director	Number of ordinary shares held			Total	Approximate % of issued shares of MelcoLot
	Personal interests (Note 2)	Corporate interests (Note 3)	Other interests		
Mr. Ho, Lawrence Yau Lung	-	1,278,714,329 (Note 4)	-	1,278,714,329	40.65%

**(b) Share options granted by MelcoLot**

Name of Director	Number of underlying shares held pursuant to share options (Notes 2 & 5)	Approximate % of issued shares of MelcoLot
Mr. Ho, Lawrence Yau Lung	7,385,871	0.23%
Mr. Tsui Che Yin, Frank	6,386,400	0.20%

**Notes:**

- As at 30 June 2014, the total number of issued shares of MelcoLot was 3,145,433,752.
- This represents interests held by the relevant director as beneficial owner.
- This represents interests held by the relevant director through his controlled corporations.
- Upon the completion of the open offer of MelcoLot on the basis of three offer shares for every ten shares held by qualifying shareholders at a subscription price of HK\$0.90 per offer share on 29 May 2014 (the “Open Offer”), a total of 295,087,920 offer shares were subscribed by and allotted to Melco LottVentures Holdings Limited (“MLVH”), a wholly owned subsidiary of the Company. Thereafter, MLVH was interested in 1,278,714,329 shares of MelcoLot. By virtue of the SFO, Mr. Ho, Lawrence Yau Lung is taken to be interested in 1,278,714,329 shares of MelcoLot which are being held by MLVH, as a result of him being interested in approximately 48.73% of the issued shares of the Company which in turn holds approximately 40.65% of the issued shares of MelcoLot.
- Details of share options granted to the directors pursuant to the share option schemes 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 Melco Crown Entertainment

Name of Director	Number of ordinary shares held			Total	Approximate % of issued shares of Melco Crown Entertainment
	Personal interests (Note 2)	Corporate interests (Note 3)	Other interests (Note 4)		
Mr. Ho, Lawrence Yau Lung	3,923,006	559,229,043 (Note 4)	559,229,043 (Note 4)	1,122,381,092	67.34%
Mr. Tsui Che Yin, Frank	11,850	-	-	11,850	0.001%
Mr. Chung Yuk Man, Clarence	158,407	-	-	158,407	0.01%

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

Name of Director	Number of underlying shares held pursuant to share options (Notes 2 & 5)	Number of restricted shares held (Notes 2 & 6)	Total	Approximate % of issued shares of Melco Crown Entertainment
Mr. Ho, Lawrence Yau Lung	6,257,682	360,109	6,617,791	0.40%
Mr. Chung Yuk Man, Clarence	194,664	41,868	236,532	0.01%

Notes:

1. As at 30 June 2014, the total number of issued shares of Melco Crown Entertainment was 1,666,633,448.
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 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 Resorts Limited (formerly known as Crown Limited) dated 12 December 2007 as a result of him being interested in approximately 48.73% of the issued shares of the Company which in turn holds approximately 67.11% of the issued shares of Melco Crown Entertainment.

## 5. Details of the 6,257,682 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
- 320,343 stock options granted on 28 March 2014 at exercise price of US\$12.98 are exercisable from 28 March 2017 to 27 March 2024

## 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 360,109 restricted shares are as follows:

- 79,068 restricted shares awarded on 29 March 2012 shall vest on 29 March 2015
- One half each of the 120,870 restricted shares awarded on 10 May 2013 shall vest on 10 May 2015 and 10 May 2016 respectively
- 160,171 restricted shares awarded on 28 March 2014 shall vest on 28 March 2017

## Details of the 41,868 restricted shares are as follows:

- 22,590 restricted shares awarded on 29 March 2012 shall vest on 29 March 2015
- One half each of the 9,669 restricted shares awarded on 10 May 2013 shall vest on 10 May 2015 and 10 May 2016 respectively
- One third each of the 9,609 restricted shares awarded on 28 March 2014 shall vest on 28 March 2015, 28 March 2016 and 28 March 2017 respectively

(C) *Melco Crown (Philippines) Resorts Corporation ("Melco Crown Philippines")*

Share options and restricted shares granted by Melco Crown Philippines

Name of Director	Number of underlying shares held pursuant to share options (Notes 2 & 3)	Number of restricted shares held (Notes 2 & 4)	Total	Approximate % of issued shares of Melco Crown Philippines
Mr. Ho, Lawrence Yau Lung	15,607,276	7,803,638	23,410,914	0.48%
Mr. Chung Yuk Man, Clarence	10,404,851	5,876,347	16,281,198	0.33%

*Notes:*

1. Melco Crown Philippines, whose shares are listed on the Philippine Stock Exchange, is a subsidiary of Melco Crown Entertainment. As at 30 June 2014, the total number of issued shares of Melco Crown Philippines was 4,911,480,300.
2. This represents interests held by the relevant director as beneficial owner.
3. 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.
4. Details of the 7,803,638 restricted shares are as follows:
  - One third each of the 7,803,638 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

Details of the 5,876,347 restricted shares are as follows:

- One third each of the 5,202,425 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
- One third each of the 673,922 restricted shares awarded on 30 May 2014 shall vest on 30 May 2015, 30 May 2016 and 30 May 2017 respectively

## (D) Entertainment Gaming Asia Inc. ("EGT")

## (a) Shares of common stock of EGT

Name of Director	Number of common stock held			Total	Approximate % of issued shares of EGT
	Personal interests (Note 2)	Corporate interests (Note 3)	Other interests (Note 4)		
Mr. Ho, Lawrence Yau Lung	-	11,450,000	-	11,450,000	38.04%
Mr. Chung Yuk Man, Clarence	755,904	-	-	755,904	2.51%
Dr. Tyen Kan Hee, Anthony	30,000	-	-	30,000	0.10%

## (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	Approximate % of issued shares of EGT
Mr. Chung Yuk Man, Clarence	1,210,000	50,000	1,260,000	4.19%
Mr. Sham Sui Leung, Daniel	37,500	-	37,500	0.12%
Dr. Tyen Kan Hee, Anthony	137,500	-	137,500	0.46%

## Notes:

- As at 30 June 2014, the total number of issued shares of common stock of EGT was 30,102,162.
- 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 deemed to be interested in 11,450,000 shares of common stock 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 48.73% of the issued shares of the Company which in turn holds approximately 38.04% of the issued share capital of EGT.

5. Details of the 1,210,000 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 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
  - 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
  - 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
  - Among the 90,000 stock options granted on 2 January 2013 at exercise price of US\$1.965, 25,000 stock options may be exercised from 3 July 2013 to 2 January 2023 and 65,000 stock options may be exercised from 2 January 2016 to 2 January 2023
  - 25,000 stock options granted on 2 January 2014 at exercise price of US\$1.211 may be exercised from 3 July 2014 to 2 January 2024
  - 100,000 stock options granted on 2 January 2014 at exercise price of US\$1.211 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 2014. 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 2015. If the 100,000 stock options are vested, they may be exercised from 2 January 2017 to 2 January 2024.

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 137,500 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
  - 25,000 stock options granted on 2 January 2014 at exercise price of US\$1.211 may be exercised from 3 July 2014 to 2 January 2024
6. 50,000 shares of restricted common stock granted on 2 January 2014 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 2014. 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 2015.

Save as disclosed above, as at 30 June 2014, 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.

## 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-month period ended 30 June 2014 are set out below:

### Under the 2002 Share Option Scheme

Category of participants	Number of share options					As at 30 June 2014	Date of grant	Exercise price (HK\$)	Exercisable period (Note)
	As at 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period	Reclassified during the period				
<b>Directors</b>									
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	-	(1,128,000)	-	-	200,000	07.04.2010	3.76	7
	1,200,000	-	(1,200,000)	-	-	-	08.04.2011	5.75	8
	3,986,520	-	(3,786,520)	-	-	200,000			
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	-	(1,028,000)	-	-	170,000	07.04.2010	3.76	7
	2,200,000	-	(2,200,000)	-	-	-	08.04.2011	5.75	9
	1,320,000	-	(120,000)	-	-	1,200,000	27.01.2012	7.1	10
	5,736,000	-	(4,366,000)	-	-	1,370,000			
Mr. Chung Yuk Man, Clarence	400,000	-	(80,000)	-	-	320,000	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	-	(1,028,000)	-	-	170,000	07.04.2010	3.76	7
	2,200,000	-	(2,200,000)	-	-	-	08.04.2011	5.75	9
	1,320,000	-	(990,000)	-	-	330,000	27.01.2012	7.1	10
	6,136,000	-	(5,316,000)	-	-	820,000			
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			



Under the 2002 Share Option Scheme – *continued*

Category of participants	Number of share options					As at 30 June 2014	Date of grant	Exercise price (HK\$)	Exercisable period (Note)
	As at 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period	Reclassified during the period				
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
	<u>1,062,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,062,000</u>			
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
	<u>762,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>762,000</u>			
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
	<u>560,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>560,000</u>			
Sub-total	<u>19,304,520</u>	<u>-</u>	<u>(13,468,520)</u>	<u>-</u>	<u>-</u>	<u>5,836,000</u>			
Employees	410,000	-	(30,000)	-	-	380,000	13.02.2006	11.8	15
	119,200	-	(27,000)	-	(900)	91,300	01.04.2008	10.804	4
	126,668	-	(126,668)	-	-	-	17.12.2008	2.02	5
	295,000	-	(184,000)	-	-	111,000	03.04.2009	2.99	6
	1,680,000	-	(1,035,000)	-	-	645,000	07.04.2010	3.76	7
	5,750,000	-	(4,650,000)	-	(62,000)	1,038,000	08.04.2011	5.75	9
	3,906,200	-	(1,357,800)	(11,000)	(74,000)	2,463,400	27.01.2012	7.1	10
	<u>12,287,068</u>	<u>-</u>	<u>(7,410,468)</u>	<u>(11,000)</u>	<u>(136,900)</u>	<u>4,728,700</u>			
Others	3,362,000	-	(450,000)	-	-	2,912,000	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	-	(648,000)	-	900	110,200	01.04.2008	10.804	4
	184,000	-	(64,000)	-	-	120,000	03.04.2009	2.99	6
	310,000	-	(50,000)	-	-	260,000	07.04.2010	3.76	7
	1,710,000	-	(1,586,000)	-	62,000	186,000	08.04.2011	5.75	9
	737,000	-	(400,000)	-	74,000	411,000	27.01.2012	7.1	10
	<u>7,411,300</u>	<u>-</u>	<u>(3,198,000)</u>	<u>-</u>	<u>136,900</u>	<u>4,350,200</u>			
<b>Total</b>	<b><u>39,002,888</u></b>	<b><u>-</u></b>	<b><u>(24,076,988)</u></b>	<b><u>(11,000)</u></b>	<b><u>-</u></b>	<b><u>14,914,900</u></b>			

## Under the 2012 Share Option Scheme

Category of participants	Number of share options					As at 30 June 2014	Date of grant	Exercise price (HK\$)	Exercisable period (Note)
	As at 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period	Reclassified during the period				
<b>Directors</b>									
Mr. Ho, Lawrence	1,000,000	-	(1,000,000)	-	-	-	02.04.2013	13.4	16
Yau Lung	-	1,500,000	-	-	-	1,500,000	03.04.2014	26.65	18
	1,000,000	1,500,000	(1,000,000)	-	-	1,500,000			
Mr. Tsui Che Yin,	1,000,000	-	-	-	-	1,000,000	02.04.2013	13.4	17
Frank	-	700,000	-	-	-	700,000	03.04.2014	26.65	19
	1,000,000	700,000	-	-	-	1,700,000			
Mr. Chung Yuk Man,	1,000,000	-	-	-	-	1,000,000	02.04.2013	13.4	17
Clarence	-	700,000	-	-	-	700,000	03.04.2014	26.65	19
	1,000,000	700,000	-	-	-	1,700,000			
Mr. Ng Ching Wo	200,000	-	-	-	-	200,000	02.04.2013	13.4	17
	-	150,000	-	-	-	150,000	03.04.2014	26.65	19
	200,000	150,000	-	-	-	350,000			
Sir Roger Lobo	200,000	-	-	-	-	200,000	02.04.2013	13.4	17
	-	150,000	-	-	-	150,000	03.04.2014	26.65	19
	200,000	150,000	-	-	-	350,000			
Mr. Sham Sui Leung,	200,000	-	-	-	-	200,000	02.04.2013	13.4	17
Daniel	-	150,000	-	-	-	150,000	03.04.2014	26.65	19
	200,000	150,000	-	-	-	350,000			
Dr. Tyen Kan Hee,	200,000	-	-	-	-	200,000	02.04.2013	13.4	17
Anthony	-	150,000	-	-	-	150,000	03.04.2014	26.65	19
	200,000	150,000	-	-	-	350,000			
Sub-total	3,800,000	3,500,000	(1,000,000)	-	-	6,300,000			

Under the 2012 Share Option Scheme – *continued*

Category of participants	Number of share options					As at 30 June 2014	Date of grant	Exercise price (HK\$)	Exercisable period (Note)
	As at 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period	Reclassified during the period				
	<b>Employees</b>	3,311,000	-	(618,000)	(17,000)				
	-	2,831,000	-	-	-	2,831,000	03.04.2014	26.65	19
<b>Sub-total</b>	<b>3,311,000</b>	<b>2,831,000</b>	<b>(618,000)</b>	<b>(17,000)</b>	<b>(112,000)</b>	<b>5,395,000</b>			
<b>Others</b>	556,000	-	(169,000)	-	112,000	499,000	02.04.2013	13.4	17
	-	245,000	-	-	-	245,000	03.04.2014	26.65	19
<b>Sub-total</b>	<b>556,000</b>	<b>245,000</b>	<b>(169,000)</b>	<b>-</b>	<b>112,000</b>	<b>744,000</b>			
<b>Total</b>	<b>7,667,000</b>	<b>6,576,000</b>	<b>(1,787,000)</b>	<b>(17,000)</b>	<b>-</b>	<b>12,439,000</b>			

## 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 2014, the Company had 14,914,900 share options outstanding under the 2002 Share Option Scheme and 12,439,000 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 27,353,900 additional ordinary shares of the Company.
- During the period ended 30 June 2014, no share options were 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\$23.67 and HK\$24.03 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.
- 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 8 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. Divided into 2 tranches exercisable from 3 April 2014 and 3 April 2015 respectively to 2 April 2024.
19. Divided into 4 tranches exercisable from 3 April 2014, 3 April 2015, 3 April 2016 and 3 April 2017 respectively to 2 April 2024.
20. 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-month period ended 30 June 2014, the Company granted a total of 6,576,000 share options to the directors and certain employees and consultants of the Company under the 2012 Share Option Scheme on 3 April 2014. The validity period of the options is ten years, from 3 April 2014 to 2 April 2024. The options will entitle the grantees to subscribe for a total of 6,576,000 new shares at an exercise price of HK\$26.65 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\$26.80.

The estimated fair values of the 6,576,000 share options granted on 3 April 2014 was approximately HK\$105,530,000. The fair value per option granted during the period ended 30 June 2014 was HK\$16.05.

The Binomial Model was 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. The inputs into the model are as follows:

<b>Grant date of the share options</b>	<b>3 April 2014</b>	2 April 2013
Valuation model	<b>Binominal</b>	Binominal
Exercise price	<b>HK\$26.65</b>	HK\$13.4
Expected volatility	<b>61%</b>	64%
Expected life	<b>10 years</b>	10 years
Risk-free rate	<b>2.36%</b>	1.09%
Suboptimal exercise factor	<b>3.2 – 3.8</b>	2.2 – 2.6

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, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Changes in the subjective input assumptions could materially affect the fair value estimate.

The Group and the Company recognised total expenses of approximately HK\$57,152,000 for the six-month period ended 30 June 2014 (six-month period ended 30 June 2013: HK\$30,732,000) in relation to the share options granted by the Company.

## (II) MelcoLot

The share option scheme adopted by MelcoLot at the general meeting on 20 April 2002 (the "MelcoLot's 2002 Share Option Scheme") has expired on 20 April 2012. No further options shall thereafter be granted under MelcoLot's 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 MelcoLot's 2002 Share Option Scheme shall remain in full force and effect notwithstanding the expiry of the 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's 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's 2012 Share Option Scheme will remain valid for a period of 10 years from the date of its adoption.

Movements of the share options, which were granted under the MelcoLot's 2002 Share Option Scheme and MelcoLot's 2012 Share Option Scheme, during the six-month period ended 30 June 2014, are set out below:

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

Name of Director	Number of share options						Date of grant	Exercise price (Note 2) (HK\$)	Exercisable period	Note	
	Before the Open Offer			After the Open Offer							
	As at 1 January 2014	Exercised	Lapsed	Adjustment for the Open Offer (Note 2)	Exercised	Lapsed					As at 30 June 2014
<b>Under MelcoLot's 2012 Share Option Scheme</b>											
Mr. Ho, Lawrence Yau Lung	6,939,000	-	-	446,871	-	-	7,385,871	02.07.2013	0.511	02.07.2013 -01.07.2023	6
Mr. Tsui Che Yin, Frank	6,000,000	-	-	386,400	-	-	6,386,400	02.07.2013	0.511	02.07.2013 -01.07.2023	6
<b>Total</b>	<b>12,939,000</b>	<b>-</b>	<b>-</b>	<b>833,271</b>	<b>-</b>	<b>-</b>	<b>13,772,271</b>				

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

	Number of share options						Date of grant	Exercise price (Note 2) (HK\$)	Exercisable period	Note	
	Before the Open Offer			After the Open Offer							
	As at 1 January 2014	Exercised	Lapsed	Adjustment for the Open Offer (Note 2)	Exercised	Lapsed					As at 30 June 2014
<b>Under MelcoLot's 2002 Share Option Scheme</b>											
Other eligible participants	583,082	-	-	37,548	(568,330)	-	52,300	12.01.2007	0.063	12.01.2008 -11.01.2017	5
	4,971,277	(1,834,420)	-	202,007	(195,254)	-	3,143,610	31.03.2008	0.638	01.10.2008 -31.03.2018	3
	3,380,574	(602,738)	-	178,892	-	-	2,956,728	16.02.2009	0.215	16.02.2010 -15.02.2019	4
	6,472,882	(5,960,600)	-	32,988	-	(1,346)	543,924	10.07.2009	0.283	10.07.2010 -09.07.2019	4
	4,801,311	(3,006,200)	-	115,603	-	-	1,910,714	18.11.2010	0.109	18.05.2011 -17.11.2020	3
	<b>20,209,126</b>	<b>(11,403,958)</b>	<b>-</b>	<b>567,038</b>	<b>(763,584)</b>	<b>(1,346)</b>	<b>8,607,276</b>				
<b>Under MelcoLot's 2012 Share Option Scheme</b>											
Other eligible participants	<b>16,500,000</b>	<b>-</b>	<b>-</b>	<b>1,062,600</b>	<b>-</b>	<b>-</b>	<b>17,562,600</b>	02.07.2013	0.511	02.07.2013 -01.07.2023	6

*Notes:*

1. During the six-month period ended 30 June 2014, no share options were granted or cancelled under the MelcoLot 2002 Share Option Scheme and MelcoLot 2012 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\$1.17.
2. Upon the completion of the Open Offer on 29 May 2014, the exercise price per share of MelcoLot and number of shares of MelcoLot which may be issued in respect of the outstanding share options have been adjusted pursuant to the terms of the MelcoLot's 2002 Share Option Scheme and MelcoLot's 2012 Share Option Scheme. For details, please refer to the announcement of MelcoLot dated 28 May 2014.
3. These grants under MelcoLot's 2002 Share Option Scheme are exercisable for a period not later than 10 years from the date of grant, within which there is a 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.
4. These grants under MelcoLot's 2002 Share Option Scheme 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.
5. These grants under MelcoLot's 2002 Share Option Scheme 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.
6. These grants under MelcoLot's 2012 Share Option Scheme 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 grant date at stepped annual increments of 25% of the total share options granted.
7. "Other eligible participants" represents the directors (other than Mr. Tsui Che Yin, Frank who is a common director of both the Company and MelcoLot), employees or consultants of MelcoLot.

## 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-month period ended 30 June 2014 are set out below:

Category of participant	Number of awarded shares				As at 30 June 2014	Date of award	Vesting date
	As at 1 January 2014	Awarded during the period	Vested during the period	Lapsed/ cancelled during the period			
<b>Director</b>							
Mr. Ho, Lawrence Yau Lung	1,250,000	-	(1,250,000)	-	-	02.04.2013	-
	-	2,200,000	(1,100,000)	-	1,100,000	03.04.2014	03.04.2015
<b>Total</b>	<b>1,250,000</b>	<b>2,200,000</b>	<b>(2,350,000)</b>	<b>-</b>	<b>1,100,000</b>		

### (b) Share Subscription Scheme

There were no movement of awarded shares during the six-month period ended 30 June 2014 and no awarded shares outstanding as at 30 June 2014 under the Share Subscription Scheme.



## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2014, the following persons/corporations had interests in five per cent or more of the issued shares 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 and underlying shares of the Company as notified to the Company are set out below:

### Long position in the shares and underlying shares of the Company

Name	Capacity	No. of shares held	No. of underlying shares held	Approximate % of issued shares	Note(s)
Better Joy Overseas Ltd.	Beneficial owner	288,532,606	-	18.47%	2
Lasting Legend Ltd.	Beneficial owner	115,509,024	-	7.39%	2
Great Respect Limited	Beneficial owner	298,982,187	-	19.14%	4
SG Trust (Asia) Ltd	Trustee	298,982,187	-	19.14%	4
	Trustee	404,041,630	-	25.86%	-
Mr. Ho, Lawrence Yau Lung	Beneficial owner	25,299,132	2,800,000	1.80%	6
	Interest of controlled corporations	437,063,077	-	27.98%	3
	Beneficiary of a trust	298,982,187	-	19.14%	4
Ms. Lo Sau Yan, Sharen	Interest of spouse	761,344,396	2,800,000	48.91%	5, 6
The Capital Group Companies, Inc.	Interest of controlled corporation	83,621,000	-	5.35%	-
Southeastern Asset Management, Inc.	Investment manager	218,931,388	-	14.01%	-

#### Notes:

- As at 30 June 2014, the total number of issued shares of the Company was 1,562,244,555.
- 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 437,063,077 shares relate to the 288,532,606 shares, 115,509,024 shares, 25,727,447 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 18.47%, 7.39%, 1.65% and 0.47% of the issued shares 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.

4. 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.
5. 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 the 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 2014, 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.

## 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, 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 2014, except for the deviation from Code Provision A.2.1 of the HKSE Code with explanation described below.

Pursuant to the Code Provision A.2.1 of the HKSE Code, the roles of the Chairman and Chief Executive Officer of a listed company should be separate and should not be performed by the same individual. However, in view of the present composition of the Board, the in depth knowledge of Mr. Ho, Lawrence Yau Lung of the operations of the Group and of the gaming and entertainment sector in Macau in general, his extensive business network and connections in that sector and the scope of operations of the Group, the Board believes it is in the best interests of the Company for Mr. Ho, Lawrence Yau Lung to assume the roles of Chairman and Chief Executive Officer at this time and such arrangement be subject to review by the Board from time to time.

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-month period ended 30 June 2014.

### 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 2013 Annual Report of the Company are set out below:

<b>Name of Director</b>	<b>Details of Changes</b>
Sir Roger Lobo	Retired as an independent non-executive director of HKT Trust and HKT Limited ("HKT"), a company listed on the Hong Kong Stock Exchange, with effect from the conclusion of the annual general meeting of HKT held on 8 May 2014.

## 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 interim report of the Group for the six-month period ended 30 June 2014.

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

During the six-month period ended 30 June 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## INDEPENDENT REVIEW

The interim results for the six-month period ended 30 June 2014 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 this 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.

On behalf of the Board of  
**Melco International Development Limited**  
**Ho, Lawrence Yau Lung**  
*Chairman and Chief Executive Officer*

Hong Kong, 28 August 2014

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