# Melco International Development Limited

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

## INTERIM RESULTS
## FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors (the "Board") of Melco International Development Limited (the "Company" or "Melco International") is pleased to announce the unaudited condensed consolidated financial information of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2019 as follows:

**FINANCIAL HIGHLIGHTS**

1. Net revenues were HK$22.4 billion, which represented an increase of HK$2.6 billion or 12.9%, compared to HK$19.8 billion for the six months ended 30 June 2018. The increase in net revenues was mainly attributable to increased casino revenue as a result of better performance in the mass market table games segment.

2. Adjusted EBITDA[(1)] was HK$6.4 billion, representing an increase of HK$0.9 billion or 15.9%, compared to HK$5.5 billion for the six months ended 30 June 2018.

3. Profit after tax was HK$1.0 billion, representing a decrease of HK$45.1 million or 4.2%, compared to HK$1.1 billion for the six months ended 30 June 2018.

4. Basic earnings per share attributable to owners of the Company was HK$0.31 for the six months ended 30 June 2019 compared to basic earnings per share attributable to owners of the Company of HK$0.23 for the six months ended 30 June 2018.

5. Net asset value per share attributable to owners of the Company was HK$11.0 as of 30 June 2019, compared to HK$10.7 as of 31 December 2018.

6. An interim dividend of HK6.11 cents per share was declared for the six months ended 30 June 2019.

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

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2019*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2019** | 2018 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Unaudited) |
| Net revenues | 4 | **22,352,325** | 19,796,067 |
| Other income, gains and losses | | **(141,454)** | 60,826 |
| Gaming tax and license fees | | **(9,812,982)** | (9,147,193) |
| Employee benefits expenses | | **(3,777,697)** | (3,156,552) |
| Depreciation and amortization | | **(3,001,280)** | (2,389,394) |
| Loss on disposal of an investment in an associate | 6 | **(7,593)** | – |
| Loss on disposal of subsidiaries | | **–** | (34,111) |
| Other expenses | | **(3,129,488)** | (2,979,822) |
| Finance costs | | **(1,421,215)** | (1,086,238) |
| Share of profits and losses of associates | | **796** | (1,015) |
| **PROFIT BEFORE TAX** | | **1,061,412** | 1,062,568 |
| Income tax | 5 | **(38,143)** | 5,757 |
| **PROFIT FOR THE PERIOD** | | **1,023,269** | 1,068,325 |

| | Note | Six months ended 30 June **2019** **HK$'000** **(Unaudited)** | 2018 HK$'000 (Unaudited) |
|---|---|---|---|
| **OTHER COMPREHENSIVE INCOME/(LOSS)** | | | |
| *Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:* | | | |
| Exchange differences: | | | |
| Exchange differences on translation of foreign operations | | **154,954** | (73,755) |
| Reclassification of exchange reserve upon disposal of an investment in an associate | | **28,703** | – |
| | | **183,657** | (73,755) |
| *Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:* | | | |
| Actuarial loss arising from defined benefit obligations | | **–** | (1,058) |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX | | **183,657** | (74,813) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | **1,206,926** | 993,512 |
| Profit for the period attributable to: | | | |
| Owners of the Company | | **462,087** | 344,584 |
| Non-controlling interests | | **561,182** | 723,741 |
| | | **1,023,269** | 1,068,325 |
| Total comprehensive income for the period attributable to: | | | |
| Owners of the Company | | **562,264** | 326,346 |
| Non-controlling interests | | **644,662** | 667,166 |
| | | **1,206,926** | 993,512 |
| EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY | 8 | | |
| Basic | | **HK$0.31** | HK$0.23 |
| Diluted | | **HK$0.30** | HK$0.22 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AS AT 30 JUNE 2019*

| | *Notes* | **30 June 2019** **HK$'000** **(Unaudited)** | 31 December 2018 *HK$'000* (Audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **46,388,857** | 48,069,934 |
| Right-of-use assets | | **8,144,930** | – |
| Investment properties | | **310,000** | 310,000 |
| Land use rights | | **–** | 5,387,867 |
| Gaming license and subconcession | | **3,269,384** | 3,813,886 |
| Goodwill | | **5,299,451** | 5,299,451 |
| Trademarks | | **16,992,458** | 16,992,458 |
| Other intangible assets | | **234,244** | 225,068 |
| Investments in associates | | **–** | 13,869 |
| Trade receivables | 9 | **47** | 41 |
| Prepayments, deposits and other receivables | | **1,420,175** | 1,478,875 |
| Other financial assets | 10 | **4,792,793** | 205,381 |
| Deferred tax assets | | **24,758** | 23,431 |
| **Total non-current assets** | | **86,877,097** | 81,820,261 |
| **CURRENT ASSETS** | | | |
| Land use rights | | **–** | 166,057 |
| Inventories | | **334,337** | 323,279 |
| Trade receivables | 9 | **2,220,533** | 1,899,851 |
| Prepayments, deposits and other receivables | | **841,948** | 789,348 |
| Tax recoverable | | **79** | 160 |
| Other financial assets | 10 | **918,011** | 1,094,507 |
| Bank deposits with original maturities over three months | | **533,241** | 40,000 |
| Cash and bank balances | | **12,257,779** | 11,892,778 |
| **Total current assets** | | **17,105,928** | 16,205,980 |

| | Notes | **30 June 2019** *HK$'000* **(Unaudited)** | 31 December 2018 *HK$'000* (Audited) |
|---|---|---|---|
| **CURRENT LIABILITIES** | | | |
| Trade payables | 11 | **162,276** | 198,341 |
| Other payables, accruals and deposits received | 12 | **12,131,947** | 13,359,787 |
| Tax payable | | **55,331** | 51,227 |
| Interest-bearing borrowings | | **11,981,900** | 3,537,301 |
| Lease liabilities | | **592,801** | 271,434 |
| **Total current liabilities** | | **24,924,255** | 17,418,090 |
| **NET CURRENT LIABILITIES** | | **(7,818,327)** | (1,212,110) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **79,058,770** | 80,608,151 |
| **NON-CURRENT LIABILITIES** | | | |
| Other payables, accruals and deposits received | 12 | **127,644** | 231,984 |
| Interest-bearing borrowings | | **32,123,273** | 35,264,619 |
| Lease liabilities | | **3,035,418** | 1,984,308 |
| Deferred tax liabilities | | **2,439,025** | 2,424,214 |
| **Total non-current liabilities** | | **37,725,360** | 39,905,125 |
| **Net assets** | | **41,333,410** | 40,703,026 |
| **EQUITY** | | | |
| Share capital | | **5,663,659** | 5,660,190 |
| Reserves | | **10,976,003** | 10,572,040 |
| Equity attributable to owners of the Company | | **16,639,662** | 16,232,230 |
| Non-controlling interests | | **24,693,748** | 24,470,796 |
| **Total equity** | | **41,333,410** | 40,703,026 |

## NOTES

### 1. CORPORATE AND GROUP INFORMATION

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

The Company together with its subsidiaries (collectively referred to as the "Group") is a developer, owner and operator of international network of casino gaming and entertainment casino resorts. The Group operates its gaming business primarily through Melco Resorts & Entertainment Limited ("Melco Resorts"), a subsidiary of the Group, with its American depositary shares ("ADSs") listed on the NASDAQ Global Select Market in the United States of America (the "U.S."). Melco Resorts currently operates Altira Macau, a casino hotel located at Taipa, the Macau Special Administrative Region of the People's Republic of China ("Macau"), City of Dreams, an integrated urban casino resort located at Cotai, Macau and Grand Dragon Casino, a casino located at Taipa, Macau. Melco Resorts' business also includes the Mocha Clubs, which comprise the non-casino based operations of electronic gaming machines in Macau. The Group, through its subsidiaries, including Studio City International Holdings Limited ("Studio City International Holdings"), which completed its initial public offering with its ADSs listed on the New York Stock Exchange in October 2018, also majority owns and operates Studio City, a cinematically-themed integrated entertainment, retail and gaming resort in Cotai, Macau. In the Philippines, Melco Resorts and Entertainment (Philippines) Corporation ("MRP"), a subsidiary of the Group, whose common shares were publicly traded on The Philippine Stock Exchange, Inc. (the "PSE") until its trading suspension on 10 December 2018. MRP was automatically delisted from the Official Registry of the PSE effective on 11 June 2019, by reason of its public ownership remaining below the 10% minimum threshold prescribed under the PSE's Rule on Minimum Public Ownership for a period of more than six months. The Group, through MRP's subsidiary, operates and manages City of Dreams Manila, a casino, hotel, retail and entertainment integrated resort in the Entertainment City complex in Manila. In the Republic of Cyprus ("Cyprus"), the Group, through its subsidiaries, ICR Cyprus Holdings Limited and its subsidiaries (collectively referred to as "ICR Group"), is also developing the City of Dreams Mediterranean, the first integrated casino resort in Limassol, Cyprus together with the operation of four satellite casinos in Cyprus. In June 2018, a temporary casino in Limassol commenced its operations and will continue to operate until the opening of the integrated casino resort. ICR Group currently has three satellite casinos in operations, the first two satellite casinos commenced operations in December 2018 and the third satellite casino commenced operations in mid July 2019. The Group's last satellite casino and the integrated casino resort are currently under construction/ development in Cyprus.

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

## 2.1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information has been prepared under the historical cost convention, except for investment properties and certain financial instruments, which are measured at fair value.

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

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2019 does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2018.

The financial information relating to the year ended 31 December 2018 that is included in this unaudited condensed consolidated interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on the consolidated financial statements for the year ended 31 December 2018. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

As at 30 June 2019, the Group had net current liabilities of HK$7,818,327,000. After considering the Group's cash flow forecasts, available unutilized credit facilities and borrowings refinanced after the period end as disclosed in the section "Liquidity, Financial Resources and Capital Structure" of this preliminary announcement, the directors of the Company believe the Group will have sufficient liquidity to meet its financial obligations as they fall due in the following 12 months. Accordingly, the unaudited condensed consolidated interim financial information has been prepared on a going concern basis.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2019 are consistent with those of the Group as set out in the Group's audited consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and amended Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

The adoption of these new and amended HKFRSs had no material impact on the unaudited condensed consolidated interim financial information, except for the adoption of HKFRS 16 *Leases* as explained below.

**HKFRS 16 *Leases***

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

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact for leases where the Group is the lessor. HKFRS 16 also requires lessees and lessors to make more extensive disclosures than under HKAS 17.

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

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

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

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

(a) Nature of the effect of adoption of HKFRS 16

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

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

Leases previously classified as finance leases

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

Leases previously classified as operating leases

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

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.

- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of HK$8,293,673,000 were recognized and presented separately in the unaudited condensed consolidated statement of financial position. This included the leased assets recognized previously of HK$7,083,492,000 that were reclassified from property, plant and equipment and land use rights.

- Additional lease liabilities of HK$1,338,948,000 were recognized.

- Prepayments, deposits and other receivables of HK$33,099,000 and other payables, accruals and deposits received of HK$161,866,000 related to previous operating leases were derecognized.

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

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

(b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of HKFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognizes a right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of these estimated useful lives and the lease terms. Right-of-use assets are subject to impairment, if applicable.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases

The Group applies the short-term lease recognition exemption to all leases that have lease terms of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not early adopted any new or amended HKFRSs that have been issued but are not yet effective in the unaudited condensed consolidated interim financial information for the six months ended 30 June 2019.

## 3. SEGMENT INFORMATION

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

(a) the "Casino and Hospitality" segment, which comprises operation of casino and provision of hospitality through Melco Resorts and ICR Group; and

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

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

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

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

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

**Segment net revenues and results**

**Six months ended 30 June 2019 (Unaudited):**

| | Casino and Hospitality *HK$'000* | Others *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| **Segment net revenues (note 4):** | | | |
| Sales to external customers | **22,314,504** | **37,821** | **22,352,325** |
| Intersegment sales | **18,437** | **68** | **18,505** |
| | **22,332,941** | **37,889** | **22,370,830** |
| Elimination of intersegment sales | | | **(18,505)** |
| Total net revenues | | | **22,352,325** |
| **Adjusted EBITDA** | **6,411,858** | **(12,597)** | **6,399,261** |
| Adjusted items for Adjusted EBITDA: | | | |
| Share-based compensation expenses | | | **(191,060)** |
| Depreciation and amortization | | | **(3,001,280)** |
| Pre-opening costs | | | **(25,181)** |
| Development costs | | | **(70,554)** |
| Property charges and other | | | **(132,657)** |
| Payments to the Philippine Parties | | | **(291,968)** |
| Loss on disposal of an investment in an associate | | | **(7,593)** |
| Interest income | | | **30,359** |
| Other income, gains and losses | | | **(171,813)** |
| Finance costs | | | **(1,421,215)** |
| Corporate expenses | | | **(54,887)** |
| Profit before tax | | | **1,061,412** |

**Segment net revenues and results**

**Six months ended 30 June 2018 (Unaudited):**

| | Casino and Hospitality *HK$'000* | Others *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| **Segment net revenues (note 4):** | | | |
| Sales to external customers | 19,750,496 | 45,571 | 19,796,067 |
| Intersegment sales | 28,176 | – | 28,176 |
| | 19,778,672 | 45,571 | 19,824,243 |
| Elimination of intersegment sales | | | (28,176) |
| Total net revenues | | | 19,796,067 |
| **Adjusted EBITDA** | 5,553,185 | (30,499) | 5,522,686 |
| Adjusted items for Adjusted EBITDA: | | | |
| Share-based compensation expenses | | | (160,419) |
| Depreciation and amortization | | | (2,389,394) |
| Pre-opening costs | | | (313,507) |
| Development costs | | | (56,711) |
| Property charges and other | | | (144,424) |
| Payments to the Philippine Parties | | | (272,256) |
| Land rent to Belle Corporation | | | (11,787) |
| Loss on disposal of subsidiaries | | | (34,111) |
| Interest income | | | 23,310 |
| Other income, gains and losses | | | 37,516 |
| Finance costs | | | (1,086,238) |
| Corporate expenses | | | (52,097) |
| Profit before tax | | | 1,062,568 |

**30 June 2019 (Unaudited):**

| | Casino and Hospitality *HK$'000* | Others *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| **Segment assets** | **103,145,005** | **418,027** | **103,563,032** |
| Corporate and other unallocated assets | | | **419,993** |
| Total assets | | | **103,983,025** |
| **Segment liabilities** | **55,389,317** | **81,372** | **55,470,689** |
| Corporate and other unallocated liabilities | | | **7,178,926** |
| Total liabilities | | | **62,649,615** |

**31 December 2018 (Audited):**

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

## 4. NET REVENUES

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| **Revenue from contracts with customers** | | |
| Casino revenue | **19,490,214** | 17,300,745 |
| Entertainment and resort facilities revenue: | | |
| Rooms | **1,336,571** | 1,053,148 |
| Catering service income | **926,028** | 776,952 |
| Entertainment, retail and other | **596,419** | 658,829 |
| Electronic gaming machines participation | **564** | 3,938 |
| Others | **199** | 286 |
| | **22,349,995** | 19,793,898 |
| **Revenue from other sources** | | |
| Property rental income | **2,330** | 2,169 |
| | **22,352,325** | 19,796,067 |

**Revenue from contracts with customers**

**Disaggregated revenue information**

**Six months ended 30 June 2019 (Unaudited):**

| **Segments** | **Casino and Hospitality** | **Others** | **Total** |
|---|---|---|---|
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| **Type of goods or services** | | | |
| Casino gaming | **19,490,214** | **–** | **19,490,214** |
| Entertainment and resort facilities: | | | |
| Rooms | **1,336,571** | **–** | **1,336,571** |
| Catering service income | **891,300** | **34,728** | **926,028** |
| Entertainment, retail and other | **596,419** | **–** | **596,419** |
| Electronic gaming machines participation | **–** | **564** | **564** |
| Others | **–** | **199** | **199** |
| Total revenue from contracts with customers | **22,314,504** | **35,491** | **22,349,995** |

**Six months ended 30 June 2019 (Unaudited):**

| Segments | Casino and Hospitality | Others | Total |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Geographical markets** | | | |
| Macau | **19,466,967** | **–** | **19,466,967** |
| The Philippines | **2,507,326** | **564** | **2,507,890** |
| Cyprus | **340,211** | **–** | **340,211** |
| Hong Kong | **–** | **34,927** | **34,927** |
| Total revenue from contracts with customers | **22,314,504** | **35,491** | **22,349,995** |

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

**Six months ended 30 June 2019 (Unaudited):**

| Segments | Casino and Hospitality | Others | Total |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Revenue from contracts with customers** | | | |
| Sales to external customers | **22,314,504** | **35,491** | **22,349,995** |
| Intersegment sales | **18,437** | **68** | **18,505** |
| | **22,332,941** | **35,559** | **22,368,500** |
| Elimination of intersegment sales | **(18,437)** | **(68)** | **(18,505)** |
| Total revenue from contracts with customers | **22,314,504** | **35,491** | **22,349,995** |

**Six months ended 30 June 2018 (Unaudited):**

| **Segments** | Casino and Hospitality *HK$'000* | Others *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| **Type of goods or services** | | | |
| Casino gaming | 17,300,745 | – | 17,300,745 |
| Entertainment and resort facilities: | | | |
| Rooms | 1,053,148 | – | 1,053,148 |
| Catering service income | 737,774 | 39,178 | 776,952 |
| Entertainment, retail and other | 658,829 | – | 658,829 |
| Electronic gaming machines participation | – | 3,938 | 3,938 |
| Others | – | 286 | 286 |
| Total revenue from contracts with customers | 19,750,496 | 43,402 | 19,793,898 |

**Six months ended 30 June 2018 (Unaudited):**

| **Segments** | Casino and Hospitality *HK$'000* | Others *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| **Geographical markets** | | | |
| Macau | 17,290,380 | – | 17,290,380 |
| The Philippines | 2,456,761 | 3,938 | 2,460,699 |
| Cyprus | 3,355 | – | 3,355 |
| Hong Kong | – | 39,464 | 39,464 |
| Total revenue from contracts with customers | 19,750,496 | 43,402 | 19,793,898 |

Set out below was the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

**Six months ended 30 June 2018 (Unaudited):**

| **Segments** | Casino and Hospitality *HK$'000* | Others *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| **Revenue from contracts with customers** | | | |
| Sales to external customers | 19,750,496 | 43,402 | 19,793,898 |
| Intersegment sales | 28,176 | – | 28,176 |
| | 19,778,672 | 43,402 | 19,822,074 |
| Elimination of intersegment sales | (28,176) | – | (28,176) |
| Total revenue from contracts with customers | 19,750,496 | 43,402 | 19,793,898 |

## 5. INCOME TAX

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

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Current tax: | | |
| Macau Complementary Tax | **2,643** | 1,602 |
| Lump sum in lieu of Macau Complementary Tax on dividends | **9,175** | 9,175 |
| Cyprus Corporate Income Tax | **6,262** | – |
| Hong Kong Profits Tax | **31** | 8,840 |
| Other jurisdictions | **4,752** | 1,018 |
| Sub-total | **22,863** | 20,635 |
| Underprovision in prior periods: | | |
| Macau Complementary Tax | **459** | 6,195 |
| Other jurisdictions | **2,441** | 455 |
| Sub-total | **2,900** | 6,650 |
| Deferred tax | **12,380** | (33,042) |
| Total | **38,143** | (5,757) |

For the six months ended 30 June 2019, there were no significant changes to the tax exposures as disclosed in the Group's audited consolidated financial statements for the year ended 31 December 2018.

## 6. LOSS ON DISPOSAL OF AN INVESTMENT IN AN ASSOCIATE

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

## 7. DIVIDENDS

During the six months ended 30 June 2019, a final dividend of HK2.35 cents per share, totalling approximately HK$35,577,000, in respect of the year ended 31 December 2018 (six months ended 30 June 2018: a final dividend of HK4.0 cents per share, totalling approximately HK$61,484,000, in respect of the year ended 31 December 2017) was declared to the shareholders of the Company.

Subsequent to the end of the current interim period, the Board has resolved that an interim dividend of HK6.11 cents per share, totalling approximately HK$92,501,000 (six months ended 30 June 2018: an interim dividend of HK4.5 cents per share, totalling approximately HK$69,029,000), will be paid to the shareholders of the Company.

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

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

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| **Earnings** | | |
| Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company) | **462,087** | 344,584 |
| Effect of dilutive potential ordinary shares: | | |
| Adjustment in relation to share options and awarded shares issued by the subsidiaries of the Company | **(5,917)** | (5,891) |
| Earnings for the purpose of diluted earnings per share | **456,170** | 338,693 |

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***'000*** | *'000* |
| | **(Unaudited)** | (Unaudited) |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **1,514,577** | 1,528,415 |
| Effect of dilutive potential ordinary shares: | | |
| Share options and awarded shares issued by the Company | **4,816** | 7,829 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **1,519,393** | 1,536,244 |

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding and assumed conversion of all dilutive potential ordinary shares, and the profit attributable to the Company as adjusted to reflect the dilution effect of the share options and awarded shares issued by the subsidiaries of the Company. For the six months ended 30 June 2019 and 2018, the Company had outstanding share options and awarded shares that would potentially dilute the earnings per share.

## 9. TRADE RECEIVABLES

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

| | **30 June 2019** | 31 December 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Within 1 month | **1,633,882** | 1,376,669 |
| More than 1 month but within 3 months | **383,201** | 316,695 |
| More than 3 months but within 6 months | **128,396** | 292,183 |
| More than 6 months | **480,638** | 229,760 |
| | **2,626,117** | 2,215,307 |
| Loss allowance for impairment | **(405,537)** | (315,415) |
| | **2,220,580** | 1,899,892 |
| Less: Non-current portion | **(47)** | (41) |
| Current portion | **2,220,533** | 1,899,851 |

## 10. OTHER FINANCIAL ASSETS

| | *Notes* | **30 June 2019** | 31 December 2018 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Audited) |
| **Current assets** | | | |
| Financial assets at fair value through profit or loss | (a) | **571,149** | 717,356 |
| Restricted cash | | **346,862** | 377,151 |
| | | **918,011** | 1,094,507 |
| **Non-current assets** | | | |
| Financial assets at fair value through profit or loss | (b) | **4,623,294** | – |
| Restricted cash | | **169,499** | 166,736 |
| Amount due from an associate | (c) | **–** | 38,645 |
| | | **4,792,793** | 205,381 |

*Notes:*

(a) As at 30 June 2019 and 31 December 2018, the amount represents investments in mutual funds that mainly invest in bonds and fixed interest securities which are considered as marketable equity securities. During the six months ended 30 June 2019, the Group sold certain mutual funds amounting to HK$193,704,000. For the six months ended 30 June 2019, an increase in fair value of HK$56,981,000 (six months ended 30 June 2018: HK$20,040,000) was recognized in "Other income, gains and losses" in profit or loss.

(b) On 30 May 2019, Melco Resorts executed a definitive purchase agreement (the "Share Sale Agreement") pursuant to which Melco Resorts agreed to, through its subsidiary, acquire and an independent third party, CPH Crown Holdings Pty Limited ("CPH"), agreed to sell, an aggregate of 135,350,000 shares of Crown Resorts Limited ("Crown"), representing approximately 19.99% of the issued shares of Crown, in two equal tranches (the "Transaction"). The purchase price is Australian dollar ("AUD") 13.00 per share of Crown.

The purchase price of AUD 879,775,000 for acquiring the first tranche of 67,675,000 shares of Crown, representing an approximately 9.99% stake in Crown, was paid on 6 June 2019. The Group recognized the investment as financial assets at fair value through profit or loss of HK$4,832,282,000. For the six months ended 30 June 2019, a decrease in fair value of HK$208,988,000 was recognized in "Other income, gains and losses" in profit or loss. Under the Share Sale Agreement, the completion (the "Second Tranche Completion") of the second tranche of 67,675,000 shares of Crown (the "Second Tranche Shares") must take place (i) at the earlier of (a) 30 September 2019; and (b) an earlier date than 30 September 2019 as specified by Melco Resorts; or (ii) at any time as Melco Resorts and CPH agree in writing.

The Company announced on 28 August 2019 that Melco Resorts and CPH have entered into an amendment deed to amend the Share Sale Agreement, pursuant to which the Second Tranche Completion shall be deferred for a period of up to 60 business days following the completion of the relevant Australian regulatory processes, subject to certain closing conditions. If the Second Tranche Completion occurs after 30 September 2019, the purchase price for the Second Tranche Shares shall be reduced by an amount equal to any dividends received by CPH on the Second Tranche Shares during the period between 6 June 2019 and the Second Tranche Completion, but increased by AUD0.05 per Second Tranche Share per calendar month (as pro rated daily) following 30 September 2019 until the Second Tranche Completion. If by 31 May 2020 (which is extendible by a further six months if requested by either Melco Resorts or CPH), the conditions to the Second Tranche Completion have not been satisfied, the obligation of the Second Tranche Completion is subject to a termination notice that can be given by Melco Resorts or CPH.

(c) Amount due from an associate has been fully settled during the six months ended 30 June 2019 upon the disposal as further disclosed in note 6.

## 11. TRADE PAYABLES

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

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Audited) |
| Within 1 month | **133,072** | 163,994 |
| More than 1 month but within 3 months | **16,613** | 21,897 |
| More than 3 months but within 6 months | **12,591** | 12,450 |
| | **162,276** | 198,341 |

## 12. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | (Unaudited) | (Audited) |
| **Current liabilities** | | |
| Outstanding gaming chips and tokens liabilities | **4,295,335** | 5,002,012 |
| Customer deposits and ticket sales | **2,486,940** | 3,080,799 |
| Gaming tax and license fee payables | **1,765,064** | 1,751,763 |
| Accrued employee benefits expenses | **1,108,332** | 1,151,619 |
| Accrued operating expenses and other liabilities | **1,015,110** | 963,976 |
| Payable for acquisition of property, plant and equipment | **454,683** | 494,951 |
| Loyalty program liability | **307,430** | 365,958 |
| Interest payable | **276,570** | 129,294 |
| Construction costs payable | **223,754** | 214,992 |
| Accrued gaming promoter commission and other gaming related accruals | **123,871** | 103,543 |
| Amounts due to related companies *(note)* | **38,126** | 63,659 |
| Dividend payable | **36,732** | 37,221 |
| | **12,131,947** | 13,359,787 |
| **Non-current liabilities** | | |
| Deposits received | **48,758** | 34,414 |
| Accrued employee benefits expenses | **42,275** | 46,364 |
| Other liabilities | **34,409** | 13,955 |
| Amounts due to related companies *(note)* | **2,202** | – |
| Deferred rental income | **–** | 137,251 |
| | **127,644** | 231,984 |

*Note:* Amounts due to related companies are unsecured, non-interest-bearing and repayable on demand. The related companies are a joint venture and a subsidiary of MECOM Power and Construction Limited in which Mr. Ho, Lawrence Yau Lung, a Director, Chairman and Chief Executive Officer of the Company, has a shareholding interest of approximately 20%.

## 13. MRP SHARE INCENTIVE PLAN

On 22 May 2019, MRP offered to all eligible participants of its share incentive plan (the "MRP Share Incentive Plan") the option to retire all outstanding equity awards, including the unvested share options, vested but unexercised share options and unvested restricted shares (collectively, the "Outstanding Awards") by the payment of cash to the eligible participants (the "SIP Retirement Arrangements") in light of the delisting of MRP as disclosed in note 1 and the acquiescence of such SIP Retirement Arrangements was obtained from the Philippine Securities and Exchange Commission on 17 May 2019. As a result of all eligible participants elected to participate in the SIP Retirement Arrangements, all the Outstanding Awards, including a total of 15,971,173 outstanding share options (including both unvested and vested but unexercised share options) and 29,068,424 outstanding restricted shares under the MRP Share Incentive Plan, were irrevocably cancelled and extinguished pursuant to the SIP Retirement Arrangement on 31 May 2019 (the "SIP Modification").

Under the SIP Retirement Arrangements, MRP will pay the eligible participants a fixed amount in cash ("Settlement Amount") according to the original vesting schedules of the outstanding share options and restricted shares, subject to other terms and conditions. The Settlement Amount of the outstanding restricted shares is Peso 7.25 per share, based on the offer price of the tender offer in 2018 and the Settlement Amount of the share options is determined using the Black-Scholes valuation model and the weighted average fair value of share options at the modification date is Peso 4.23 per option.

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

As at 30 June 2019, the accrued liability associated with the unvested and unsettled Outstanding Awards under the SIP Modification was HK$25,341,000. No fair value gain or loss on remeasurement of the liability associated with the unvested and unsettled Outstanding Awards under the SIP Modification were recognized for the six months ended 30 June 2019.

## 14. SUBSEQUENT EVENTS

On 24 June 2019, the Company entered into a share purchase agreement with Melco Resorts, pursuant to which the Company conditionally agreed to sell its entire shareholding in ICR Cyprus Holdings Limited to Melco Resorts. The consideration was US$375,000,000 (approximately HK$2,930,054,000), which was satisfied by the issuance of 55,500,738 ordinary shares of Melco Resorts, which were equivalent to 18,500,246 ADSs. The transaction was completed on 31 July 2019. ICR Cyprus Holdings Limited continues to be a subsidiary of the Company after completion and the financial results of ICR Group continue to be consolidated within the financial statements of the Group after completion via the Group's controlling interest in Melco Resorts. Accordingly, the Group will recognize adjustments in non-controlling interests and reserves in the consolidated statement of financial position, without recording any gain or loss in profit or loss of the Group for the year ending 31 December 2019.

On 17 July 2019, the Group issued US$600,000,000 (equivalent to HK$4,688,086,000) in aggregate principal amount of 5.625% senior notes due 2027 (the "2027 Senior Notes"). On 24 July 2019, the Group used the net proceeds of the 2027 Senior Notes and cash on hand to partially repay an outstanding revolving credit facility in aggregate principal amount of HK$4,638,000,000, together with accrued interest and associated costs.

## MANAGEMENT DISCUSSION & ANALYSIS

## SIGNIFICANT EVENTS AND DEVELOPMENTS

Melco International always strives to be a pioneer in premium travel, leisure and entertainment by delivering world-class premium offerings that go beyond gaming. In the first half of 2019, Melco International has achieved new milestones as it continues its global expansion strategy.

Since its opening in June 2018, Morpheus, our iconic flagship hotel for City of Dreams in Macau, has become an instant global architectural icon, receiving numerous international recognitions and awards. This signals global recognition for our dedication to excellence and further strengthens the Group's position as a leading integrated resort operator globally.

In Cyprus, the Group is committed to further enhance the country's efforts to become a must-visit international tourist destination. Currently scheduled to open in Limassol in 2021, City of Dreams Mediterranean will be Europe's largest integrated resort, showcasing the Group's renowned array of gaming and non-gaming amenities. Following the launch of Cyprus Casinos ("C2") in Limassol, Nicosia and Larnaca last year, the Ayia Napa satellite casino opened its doors to the public in July 2019, and the last satellite casino in Paphos is scheduled to launch in the coming months. In July 2019, Melco International completed the disposal of all of its ordinary shares of ICR Cyprus Holdings Limited ("ICR Cyprus"), which represents a 75% equity interest in ICR Cyprus, to Melco Resorts & Entertainment Limited ("Melco Resorts").

The Group continues to focus on opportunities for global expansion, bringing the most premium and luxurious experience to guests around the world. With operations across Macau, the Philippines and Cyprus, our subsidiary Melco Resorts announced its agreement to acquire a 19.99% stake in Crown from CPH in May 2019. Crown is a company listed on the Australian Securities Exchange and operates two of Australia's leading integrated resorts, Crown Melbourne Entertainment Complex and Crown Perth Entertainment Complex, along with Crown Aspinalls, a high-end licensed casino in the United Kingdom. The Group believes the strategic acquisition will expand its business presence into two new markets, Australia and the United Kingdom.

Japan continues to be the Group's core focus and we expect development of integrated resorts to soon commence in this incredibly exciting tourist destination. The Group has released designs of our proposed Osaka integrated resort in May 2019 and has also participated in the Yokohama's Request for Information and Osaka's Request for Concept. With our focus on the Asian premium segment, high-quality assets, dedication to world-class entertainment offerings, market-leading social safeguards and compliance culture, and our commitment to trusted partnerships with governments and local communities, we believe the Group is in a strong position to help Japan realize its vision for an integrated resort development with unique Japanese touch. The Group has been dedicating the necessary resources and, if selected to be a partner, is committed to invest at least US$10 billion to build the most amazing, biggest and most technologically advanced integrated resort in Japan.

## BUSINESS REVIEW

### Integrated Gaming and Entertainment Resorts

Melco International operates its gaming business primarily through its subsidiary Melco Resorts, a developer, owner and operator of casino gaming and entertainment casino resort facilities in Asia and Europe. As of 30 June 2019, Melco International, through its subsidiary, holds approximately 54.05% of the total issued shares of Melco Resorts.

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

Beyond Macau, in the Philippines, a Philippine subsidiary of Melco Resorts currently operates and manages City of Dreams Manila, a casino, hotel, retail and entertainment integrated resort in the Entertainment City complex in Manila. In the Republic of Cyprus, with the completion of the purchase of all of Melco International's ordinary shares of ICR Cyprus in July 2019, which represents a 75% equity interest in ICR Cyprus, Melco Resorts is currently developing the City of Dreams Mediterranean integrated resort project and operating Cyprus Casinos including a temporary casino in Limassol and three satellite casinos, with a fourth satellite casino scheduled to open in the coming months.

Despite ongoing challenges in the global economy, Melco International managed to achieve stable operating and financial results in the first half of 2019. With net revenues at HK$22.4 billion, profit for the period slightly decreased by 4.2% to HK$1.0 billion, while adjusted EBITDA grew 15.9% to HK$6.4 billion.

### *City of Dreams*

City of Dreams in Macau is Melco Resorts' flagship integrated resort, a premium-focused property targeting high-end customers and rolling chip players from regional markets across Asia. The property operated on average 518 gaming tables and 822 gaming machines in the first half of 2019. City of Dreams is currently being upgraded through its Phase 3 development, which includes extensive renovation on the mass gaming floor with newly designed gaming spaces and the significantly upgraded VIP gaming areas on the second floor of City of Dreams.

Morpheus is the latest addition to City of Dreams. Opened in June 2018, Morpheus is the world's first-ever free-form exoskeleton high-rise architectural structure designed by legendary architect the late Dame Zaha Hadid, DBE. It represents another stunning world-first contribution the Group has created in Macau, characterized by an unprecedented level of attention to detail and designed with the premium guest experience in mind. Morpheus offers guests world-class experiences that exceed 5-star hotel standards. Along with a total of 772 guest rooms, suites and villas, Morpheus also features an executive lounge, a sky pool situated 130 metres above ground, world-class culinary delights from award-winning and legendary chefs Alain Ducasse and Pierre Hermé, the world's most fashion-forward brands and retail options, a curated art installation space featuring internationally renowned artists, as well as an in-house Spa Butler concept.

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

After the opening of Morpheus, renovation of Nüwa is expected to start in 2020, and The Countdown hotel will also be redeveloped and rebranded as Libertine, a funky rebel branded hotel with guestrooms that are ultra-cool.

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

### *Studio City*

The Hollywood-inspired and cinematically-themed integrated entertainment, retail and gaming resort Studio City is designed to be the most diversified entertainment offering in Macau. The property operated on average 293 gaming tables and 980 gaming machines in the first half of 2019.

Studio City is undergoing continuous enhancement with a series of property upgrades. Highlights this year include the opening of the "Show House" nightclub in February, the "Flip Out" Trampoline Park in May and the 50,000-square-feet, Asia's largest virtual reality zone "Legend Heroes Park".

Studio City will soon be going through a Phase 2 expansion to further elevate the integrated resort to offer a significant point of differentiation from all other Macau resorts.

***Altira Macau***

Altira Macau is a casino and hotel designed to cater to Asian rolling chip customers sourced primarily through gaming promoters. Located in Taipa, it offers an oasis of sophistication with spectacular panoramic views of the Macau Peninsula. Through delivering impeccable services customized to each guest, both Altira Macau and Altira Spa have attained the highest Forbes Travel Guide Five-Star recognition for ten consecutive years since 2010. Altira Macau operated on average 104 gaming tables and 170 gaming machines operated as a Mocha Club at Altira Macau in the first half of 2019.

***Mocha Clubs***

Mocha Clubs comprises the largest non-casino based operations of electronic gaming machines in Macau. As a pioneer in Macau's electronic gaming industry, Mocha Clubs has brought a series of innovative and top quality electronic gaming machines from around the world to offer a contemporary entertainment mix to broader visitors. Mocha Clubs operated eight clubs with a total of 1,471 gaming machines (including 170 gaming machines at Altira Macau) in the first half of 2019.

***City of Dreams Manila***

Beyond Macau, City of Dreams Manila, strategically located at the gateway of Entertainment City, provides an unparalleled entertainment and hospitality experience for the Southeast Asia market and continues to set the reference for the Group's robust capacity to execute on its international vision. The dynamic property boasts the ultimate entertainment, hotel, retail, dining and lifestyle experiences with aggregated gaming space, including VIP and mass-market gaming facilities with an average of 304 gaming tables and 2,256 gaming machines in the first half of 2019.

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

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

City of Dreams Mediterranean, the first integrated resort in Cyprus, is scheduled to open in 2021 and will help enhance Cyprus' efforts to become a must-visit global tourism destination. It is currently expected to attract 300,000 tourists annually in its first year of operation. Upon completion, it will become Europe's largest premier integrated resort. Its 7,500-square-metre gaming area comprises over 100 tables and over 1,000 state-of-the-art slot machines, a five-star 500-room hotel, five world-class international restaurants and cafeterias, large recreation and wellness facilities, high-end brand name luxury retail, a 1,500-seat outdoor amphitheatre and 9,600-square-metres of meetings, incentives, conventions and exhibitions (MICE) facilities and Expo Centre. This integrated resort will further help elevate Cyprus as a top global leisure and business travel destination in the region and internationally.

In advance of the opening of City of Dreams Mediterranean, C2 opened its doors in June 2018 in Limassol. Spanning 4,600 square metres overall, the gaming area at C2 Limassol is a spacious 1,300 square metres and features 33 tables and 242 slot machines. Following the two C2 satellite casinos launched in Nicosia and Larnaca in 2018, C2 Ayia Napa opened its doors in July 2019 and C2 Paphos is scheduled to commence operations in the coming months. Operations of C2 Limassol will cease when City of Dreams Mediterranean is launched, while the four C2 satellite casinos will continue their operations.

## OUTLOOK

In the first half of 2019, the Group continues to focus on improving the quality of our services and entertainment offerings as well as upgrading the infrastructure of our properties, with the goal to better cater to customers around the world. We are confident that the US$1.1 billion iconic hotel Morpheus can further solidify the Group's position as a pioneer and innovator in premium travel, leisure and entertainment.

Overall for the Macau gaming industry, the industry is expected to benefit through exciting infrastructure developments around Macau, including the recent opening of the Hong Kong–Zhuhai–Macau Bridge, building-out of Cotai and the ongoing development of Hengqin Island, which will further expand Macau's appeal as a regional and global tourist destination. Upcoming transportation infrastructure projects such as the rollout of the Light Rail Transit system throughout Macau in the second half of the year will further improve the connectivity in the city. These developments are set to further boost tourist volumes and foot traffic throughout Macau, especially with Mainland China's growing volumes of tourists and overnight visitors around the Asia Pacific region.

We remain cautiously optimistic about the potential downside risks in the coming years. We will closely manage against these risks with a proactive approach supported by our experienced global management team. We have plans in place as we anticipate our gaming license renewal in 2022 and we are committed to engage with the Macau government throughout this process. We will also carefully observe and prepare any counter measures for scenarios that might impact the volume of inbound tourists to Macau.

Our long-term growth strategy for Macau remains to focus on the premium-mass and mass segments, which we believe will drive sustainable growth and profit for our industry. We will continue to invest in balancing our exposure to both VIP and mass gaming patrons and to further grow a diversified portfolio to attract the broader tourism market through our non-gaming entertainment and leisure offers. To better cater to our target market segments, the Group is overseeing exciting developments across our properties that will further boost our competitiveness to offer differentiated and premium services to our guests.

The completion of City of Dreams Phase 3 will be a key focus. With the launch of Morpheus, our City of Dreams portfolio now includes the premium and ultra-luxurious Zaha Hadid-designed concept hotel Morpheus in addition to the chic and classic Nüwa which will be undergoing renovation soon, and the upcoming funky rebel hotel Libertine. This combined portfolio of hotels will provide a set of differentiated accommodation options that offer our guests unique and tailored experiences, with each hotel offering its own distinctive style while maintaining an overall focus on quality, attention to detail and top-notch service. These latest developments at City of Dreams will solidify our leadership in both the premium-mass and mass segments, positioning us to offer customers Macau's most fully integrated and modern gaming and entertainment experience.

At Studio City, we will continue to undertake a series of property upgrades designed to further refine our entertainment offerings to attract a broader tourism segment that includes families and next generation tourists. In 2019, we have opened the 50,000-square-feet, Asia's largest virtual reality zone 'Legend Heroes Park', along with the launch of the "Show House" nightclub and the "Flip Out" Trampoline Park. Furthermore, the Phase 2 development of Studio City is expected to have two hotel towers, a water park, a cineplex and additional gaming space.

Internationally, we remain bullish on our exposure to an expanding network of global operations and business development opportunities beyond Macau. In the Philippines, the market has continued to deliver healthy and stable growth along with robust financial performance. Given the fast-growth trajectory of Southeast Asian tourism along with continued upgrades in the Philippine transportation infrastructure projects, the Group anticipates continued growth in this market, with increased regional and global tourist arrivals and overnight visitors from ASEAN countries.

For Cyprus, the launch of the C2 temporary casino and satellite casinos has received favourable responses since they opened, and one more C2 satellite casino will commence operations in the coming months. With the strong support from the Cypriot government and positive word of mouth by patrons in the region, we anticipate a continued uptick in customer growth and are confident that the project will further position us as a leader in the global market.

With operations across Macau, the Philippines and Cyprus, the Group announced its agreement to acquire a 19.99% stake in Crown from CPH in May 2019. The Group believes the strategic acquisition will expand our business presence into two new markets, Australia and the United Kingdom.

Japan remains to be our core focus. Following the passage of the Integrated Resorts Implementation Bill in July 2018, we are very focused and dedicated to becoming an international integrated resort operator in the country. Japan will be hosting a series of exciting upcoming events that will further see a boost in tourism, including the 2020 Summer Olympics in Tokyo and 2025 World Expo in Osaka. As such, we believe the tourism industry in Japan will continue to see steady growth in the coming years and this will bring huge potential to its burgeoning integrated resort market. To this end, we have been working diligently to engage the Japan market for the past 10 years and will continue to engage with the national and local governments, communities and local companies for potential partnerships and collaborations. With offices in Tokyo and Osaka and an upcoming one in Yokohama along with a local leadership team, we are now fully engaged to explore local partnerships and to further build up our local presence. With our focus on the Asian premium segment, high quality assets and dedication to world-class entertainment offerings, we believe the Group is in a strong position to be a partner to Japan's journey in its integrated resort development with unique Japanese touch.

Being responsible and accountable to all our guests, colleagues and stakeholders has always been central to the Group's business philosophy. To this end, we released our latest Sustainability Report in April 2019 to further elevate the Group's commitment as a force for good across all its resorts globally. Under the strategy "Above and Beyond", our report outlines ambitious goals and actionable targets that further enhance our commitments around key environmental, social, and governance issues that are critical to our business.

Our corporate DNA is always to do better and to create a category of hospitality and entertainment that goes beyond gaming, and do this in the most sustainable and responsible way to our local communities. We believe we are well positioned to continue to be a pioneer and innovator in premium travel and entertainment in Macau and internationally. With our diversified revenue streams across market segments and geographies with distinctive high-quality hotel brands, along with growing global demand for premium and tailored travel experiences, our strong foundation supported by dedicated management team, solid corporate governance and strong property portfolio are well placed to continue contributing to the Group's near and long term success and development.

## ACHIEVEMENT AND AWARDS

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

### Corporate Governance

In recognition for our good corporate governance practices, our management team has received prestigious leadership awards from the business and investor community. Our Group Chairman and Chief Executive Officer, Mr. Lawrence Ho, was honoured as "Asia's Best CEO" at the Asian Excellence Awards by Corporate Governance Asia magazine for the eighth time in 2019, while the Company has also garnered the "Best IR Company" award for the eighth year in 2019.

These accolades showcase the Group's continued dedication to accountability, fairness and transparency to all our stakeholders.

### Corporate Social Responsibility

Melco International continues to be steadfastly committed to be a responsible partner to our employees and local communities. In April 2019, the Group released its latest Sustainability Report for 2018 to further elevate the Group's commitment as a force for good across all its resorts globally. We have brought together our social, environmental and governance achievements and commitments in a new strategy - "Above & Beyond". Being responsible and accountable to all our guests, colleagues and stakeholders has always been central to our business philosophy. The commitment focuses on becoming carbon neutral and zero waste by 2030, while continuing to focus on responsible gaming and promoting good governance and ethics.

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

Our efforts and strong commitment to sustainability and social impact have been recognized by industry-wide awards. In recognition of our efforts in corporate social responsibility, Melco International has received the Certificate of Merit in the "Best in ESG Awards – Large Market Capitalization" category in BDO ESG Awards 2019. In addition, Melco Resorts has been awarded the "Socially Responsible Operator of the Year (Land Based)" award at the 12th International Gaming Awards, recognizing its dedication to corporate social responsibility initiatives, especially for promoting responsible gaming measures and programs. It has also been honoured by the Global Gaming Expo (G2E) Asia Awards 2019 for the "Best Corporate Social Responsibility Contribution" award for its dedication to social responsibility.

Altira Macau has been honoured with the Green Key standard of excellence in environmental responsibility and sustainable operations in 2019. This achievement signifies that the Group's entire hotel portfolio in Macau, including Morpheus, Nüwa and The Countdown at City of Dreams, as well as Studio City Hotel, has been awarded the globally recognized Green Key standard of excellence, making Melco Resorts the only company to have a full Green Key awarded hotel portfolio in Macau.

**Business Operations**

The Group continues to provide its customers with the most outstanding mix of hospitality, leisure, culinary and entertainment experiences across the world.

The Group has attained a record-breaking 85 stars across all its properties in the 2019 Forbes Travel Guide ("FTG"), highest for any integrated resort operator in Asia with a total of 13 FTG Five-Star and five Four-Star awards. This is a true testament to our impeccable services and distinguished products on offer.

Altira Macau and Altira Spa have been honoured with FTG Five-Star recognition for ten consecutive years from 2010 to 2019, while its Mediterranean cuisine Aurora and its Japanese tempura specialist Tenmasa have both earned FTG Five-Star recognition for the sixth and fifth consecutive years, respectively, in 2019. Nüwa at City of Dreams, Macau remains the first and only property in Asia to receive FTG Five-Star across its entire portfolio of hotel, spa (Nüwa Spa) and dining facilities (Jade Dragon, The Tasting Room and Shinji by Kanesaka). Studio City is honoured for the first time as a triple category FTG Five-Star property (Studio City's Star Tower, Zensa Spa and Pearl Dragon). Nüwa at City of Dreams Manila was also awarded FTG Five-Star recognition in 2019.

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

The award-winning spectacle at City of Dreams, The House of Dancing Water, has won the "Best IR Non-Gaming Attraction" award at the Global Gaming Expo (G2E) Asia Awards 2019, underpinning the Group's position as a leading integrated resort operator globally that constantly strives to excel in what we offer to our guests. The House of Dancing Water is the world's largest water-based extravaganza that has been showcased to over 5.8 million audiences from around the world since its debut in 2010.

The Group's world-class restaurants continue to garner global recognition for its culinary offerings. Jade Dragon has once again been named among Asia's 50 Best Restaurants 2019. This is the third consecutive year that the restaurant receives this prestigious award and is ranked the top restaurant in Macau.

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

## FINANCIAL REVIEW

### RESULTS FOR THE SIX MONTHS ENDED 30 JUNE

| *HK$' million* | **2019** <br> **(Unaudited)** | 2018 <br> (Unaudited) | YoY% |
|---|---|---|---|
| Net revenues | **22,352.3** | 19,796.1 | 12.9% |
| Adjusted EBITDA | **6,399.3** | 5,522.7 | 15.9% |
| Profit attributable to owners of the Company | **462.1** | 344.6 | 34.1% |
| Basic earnings per share (HK$) | **0.31** | 0.23 | 35.3% |

### FINANCIAL POSITION AS AT

| *HK$' million* | **30 June** <br> **2019** <br> **(Unaudited)** | 31 December <br> 2018 <br> (Audited) | YoY% |
|---|---|---|---|
| Total assets | **103,983.0** | 98,026.2 | 6.1% |
| Total liabilities | **62,649.6** | 57,323.2 | 9.3% |
| Shareholders' equity | **16,639.7** | 16,232.2 | 2.5% |
| Net assets value per share attributable to owners of the Company (HK$) | **11.0** | 10.7 | 2.9% |
| Gearing ratio (%) | **42.4%** | 39.6% | N/A |

**Net revenues**

Net revenues of the Group increased by 12.9% from HK$19.8 billion for the six months ended 30 June 2018 to HK$22.4 billion for the six months ended 30 June 2019. The increase in net revenues was mainly attributable to increased casino revenue as a result of better performance in the mass market table games segment.

| | Six months ended 30 June | | |
|---|---|---|---|
| *HK$' million* | **2019** | 2018 | YoY% |
| | **(Unaudited)** | (Unaudited) | |
| **Revenue from contracts with customers** | | | |
| Casino revenue | **19,490.2** | 17,300.8 | 12.7% |
| Entertainment and resort facilities revenue: | | | |
| Rooms | **1,336.6** | 1,053.1 | 26.9% |
| Catering service income | **926.0** | 777.0 | 19.2% |
| Entertainment, retail and other | **596.4** | 658.8 | -9.5% |
| Electronic gaming machines participation | **0.6** | 3.9 | -85.7% |
| Others | **0.2** | 0.3 | -30.4% |
| | **22,350.0** | 19,793.9 | 12.9% |
| **Revenue from other sources** | | | |
| Property rental income | **2.3** | 2.2 | 7.4% |
| | **22,352.3** | 19,796.1 | 12.9% |

**Adjusted EBITDA[1]**

Adjusted EBITDA for the six months ended 30 June 2019 increased by 15.9% to HK$6.4 billion, compared to HK$5.5 billion for the six months ended 30 June 2018. The improvement in Adjusted EBITDA was mainly attributable to better performance in the mass market table games segment and the commencement of operations of Cypus Casinos since June 2018.

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

**Profit Attributable to owners of the Company**

Profit attributable to owners of the Company increased by 34.1% from HK$344.6 million for the six months ended 30 June 2018 to HK$462.1 million for the six months ended 30 June 2019. The increase was mainly attributable to better performance in the mass market table games segment and lower pre-opening costs, partially offset by higher depreciation and amortization expenses as a result of the opening of Morpheus in June 2018 and higher finance costs.

**Basic Earnings Per Share**

Basic earnings per share increased from HK$0.23 per share for the six months ended 30 June 2018 to HK$0.31 per share for the six months ended 30 June 2019.

**Financial and Operational Performance**

Melco Resorts, a majority-owned subsidiary of the Group as at 30 June 2019, contributed a majority of the financial results for the Group.

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

According to the unaudited financial results of Melco Resorts prepared in accordance with the U.S. generally accepted accounting principles, it recorded total operating revenues of US$2.8 billion for the six months ended 30 June 2019, versus US$2.5 billion for the six months ended 30 June 2018. The increase in total operating revenues was primarily attributable to a better performance in the mass market table games segment and higher non-gaming revenue as a result of the opening of Morpheus in June 2018.

Operating income for the six months ended 30 June 2019 was US$393.3 million, compared with operating income of US$339.2 million for the same period in 2018, representing an increase of 16%.

The Adjusted Property EBITDA[(2)] for the six months ended 30 June 2019 was US$849.0 million, compared to Adjusted Property EBITDA of US$757.3 million for the same period in 2018, representing an increase of 12%.

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

Net income attributable to the financial performance of Melco Resorts for the six months ended 30 June 2019 was US$217.7 million, compared with a net income attributable to the financial performance of Melco Resorts of US$213.9 million for the same period in 2018.

***City of Dreams***

For the six months ended 30 June 2019, total operating revenues at City of Dreams was US$1,504.2 million versus US$1,218.2 million for the same period in 2018. City of Dreams generated Adjusted Property EBITDA of US$479.3 million for the six months ended 30 June 2019, representing an increase of 26% compared to US$379.5 million for the same period in 2018.

Gaming Performance

| | **Six months ended 30 June** | | |
|---|---|---|---|
| *US$'million* | **2019** | 2018 | YoY% |
| **VIP Gaming** | | | |
| Rolling chip volumes | **25,145.7** | 21,622.5 | 16.3% |
| Win rate | **3.26%** | 2.96% | N/A |
| **Mass Market** | | | |
| Table drop | **2,690.0** | 2,364.6 | 13.8% |
| Hold percentage | **31.5%** | 30.2% | N/A |
| **Gaming Machine** | | | |
| Handle | **2,018.3** | 2,117.6 | -4.7% |
| Win rate | **3.9%** | 5.1% | N/A |

Non-Gaming Performance

Total non-gaming revenue at City of Dreams for the six months ended 30 June 2019 was US$194.6 million, compared with US$149.7 million in the same period in 2018.

### *Altira Macau*

For the six months ended 30 June 2019, total operating revenues at Altira Macau was US$237.3 million compared to US$243.5 million in the same period in 2018. Altira Macau generated Adjusted Property EBITDA of US$23.8 million for the six months ended 30 June 2019 compared with Adjusted Property EBITDA of US$36.3 million in the same period in 2018.

Gaming Performance

| | Six months ended 30 June | | |
|---|---|---|---|
| *US$'million* | **2019** | 2018 | YoY% |
| **VIP Gaming** | | | |
| Rolling chip volumes | **9,318.7** | 10,366.7 | -10.1% |
| Win rate | **3.41%** | 3.32% | N/A |
| **Mass Market** | | | |
| Table drop | **289.2** | 271.2 | 6.6% |
| Hold percentage | **22.5%** | 19.5% | N/A |
| **Gaming Machine** | | | |
| Handle | **144.2** | 56.0 | 157.5% |
| Win rate | **4.7%** | 5.9% | N/A |

Non-Gaming Performance

Total non-gaming revenue at Altira Macau for the six months ended 30 June 2019 was US$13.2 million, compared with US$13.4 million in the same period in 2018.

### *Mocha Clubs*

Total operating revenues from Mocha Clubs totaled US$60.0 million for the six months ended 30 June 2019 compared to US$58.5 million in the same period in 2018. Mocha Clubs generated US$11.3 million of Adjusted Property EBITDA for the six months ended 30 June 2019 compared with Adjusted Property EBITDA of US$12.2 million in the same period in 2018.

Gaming Performance

| | Six months ended 30 June | | |
|---|---|---|---|
| *US$'million* | **2019** | 2018 | YoY% |
| **Gaming Machine** | | | |
| Handle | **1,273.7** | 1,273.0 | 0.1% |
| Win rate | **4.7%** | 4.5% | N/A |

***Studio City***

For the six months ended 30 June 2019, total operating revenues at Studio City was US$659.3 million compared to US$682.6 million in the same period in 2018. Studio City generated Adjusted Property EBITDA of US$191.2 million for the six months ended 30 June 2019 compared with Adjusted Property EBITDA of US$183.3 million in the same period in 2018.

Gaming Performance

| | **Six months ended 30 June** | | |
|---|---|---|---|
| *US$'million* | **2019** | 2018 | YoY% |
| **VIP Gaming** | | | |
| Rolling chip volumes | **5,758.8** | 12,682.8 | -54.6% |
| Win rate | **3.03%** | 2.67% | N/A |
| **Mass Market** | | | |
| Table drop | **1,728.4** | 1,639.5 | 5.4% |
| Hold percentage | **28.8%** | 26.0% | N/A |
| **Gaming Machine** | | | |
| Handle | **1,191.6** | 1,196.6 | -0.4% |
| Win rate | **3.2%** | 3.5% | N/A |

Non-Gaming Performance

Total non-gaming revenue at Studio City for the six months ended 30 June 2019 was US$87.7 million, compared with US$92.5 million in the same period in 2018.

***City of Dreams Manila***

For the six months ended 30 June 2019, total operating revenues at City of Dreams Manila was US$318.5 million compared to US$316.0 million in the same period in 2018. City of Dreams Manila generated Adjusted Property EBITDA of US$143.4 million for the six months ended 30 June 2019 compared with US$146.1 million in the same period in 2018.

Gaming Performance

| | **Six months ended 30 June** | | |
|---|---|---|---|
| *US$'million* | **2019** | 2018 | YoY% |
| **VIP Gaming** | | | |
| Rolling chip volumes | **4,188.5** | 5,738.0 | -27.0% |
| Win rate | **4.10%** | 3.31% | N/A |
| **Mass Market** | | | |
| Table drop | **377.0** | 385.1 | -2.1% |
| Hold percentage | **30.5%** | 31.6% | N/A |
| **Gaming Machine** | | | |
| Handle | **1,852.6** | 1,676.8 | 10.5% |
| Win rate | **5.6%** | 5.8% | N/A |

Non-Gaming Performance

Total non-gaming revenue at City of Dreams Manila for the six months ended 30 June 2019 was US$60.4 million, compared with US$58.8 million in the same period in 2018.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

### Capital Resources

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

The Group continues to manage its financial position carefully and maintains conservative policies in cash management. As at 30 June 2019, the Group's bank balances and cash (including bank deposits with original maturities over three months) amounted to HK$12,791.0 million (31 December 2018: HK$11,932.8 million) and investments in mutual funds that mainly invest in bonds and fixed interest securities amounted to HK$571.1 million (31 December 2018: HK$717.4 million).

As at 30 June 2019, certain bank credit facilities amounting to HK$2.04 billion (31 December 2018: HK$2.56 billion) were available for future drawdown, subject to satisfaction of certain conditions precedent. As discussed further below, the Group repaid HK$4.64 billion in aggregate principal amount of a revolving credit facility on 24 July 2019. Immediately after the repayment, the amount of bank credit facilities available for future drawdown increased from HK$2.04 billion to HK$6.68 billion.

Major changes in our indebtedness during the six months ended and subsequent to 30 June 2019 are summarized below:

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

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

On 26 April 2019, the Group issued US$500.0 million (equivalent to approximately HK$3.9 billion) in an aggregate principal amount of 5.25% senior notes due 2026 (the "2026 Senior Notes"). The net proceeds were used to partially repay an outstanding revolving credit facility. On 8 May 2019, the Group repaid HK$3.98 billion in aggregate principal amount of a revolving credit facility, together with accrued interest and associated cost, from the net proceeds of the 2026 Senior Notes and cash on hand.

On 4 June 2019, the Group partially drew down HK$3.93 billion from a revolving credit facility to partly fund the acquisition of 67,675,000 shares of Crown, which represent approximately 9.99% stake in Crown.

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

The availability period of an unsecured credit facility amounted to Philippine Peso2.35 billion (equivalent to HK$357.5 million) was extended from 31 May 2019 to 29 August 2019 during the six months ended 30 June 2019. The availability of the unsecured credit facility was further extended to 31 May 2020 in August 2019, on substantially similar terms as before, except that (i) the Philippine Dealing System Treasury Reference Rates PM is replaced by PHP BVAL Reference Rates and (ii) the applicable interest rate margin is amended from a predetermined rate to a rate to be mutually agreed by the bank and the borrower at the time of drawdown. This credit facility is available for future drawdown, subject to satisfaction of certain conditions precedent.

For further details of our indebtedness, please refer to note 34 to the consolidated financial statements included in the Company's 2018 Annual Report, which includes information regarding the type of debt facilities used, the maturity profile of debt, the currency and interest rate structure, the charge on our assets and the nature and extent of any restrictions on our ability, and the ability of our subsidiaries, to transfer funds as cash dividends, loans or advances.

**Gearing Ratio**

The gearing ratio, expressed as a percentage of total interest-bearing borrowings divided by total assets, was 42.4% as at 30 June 2019 (31 December 2018: 39.6%).

**Pledges of assets**

As at 30 June 2019, borrowings amounting to HK$27,730.5 million (31 December 2018: HK$30,953.3 million) were secured by the following assets of the Group:

(i) certain property, plant and equipment;

(ii) investment properties;

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

(iv) certain bank deposits;

(v) chattels, receivables and other assets including certain inter-group loans; and

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

## CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2019.

## FINANCIAL RISK

### Foreign exchange risk

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

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

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

### Interest rate risk

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

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

## HUMAN RESOURCES

### Headcount and Employees' Information

The total number of the Group's employees was 22,836 as of 30 June 2019 (31 December 2018: 22,228). Among these employees, 431 are locate in Hong Kong and the rest of 22,405 are located respectively in the Philippines, Japan, Cyprus, Macau and the PRC. The related staff costs for the six months ended 30 June 2019, including directors' emoluments and share-based compensation expenses amounted to HK$3,777.7 million (six months ended 30 June 2018: HK$3,156.6 million).

Melco International believes that the key to success lies in its people. The Group strives to create an environment that makes employees proud to be part of it. All employees are given equal opportunities for advancement and personal growth. The Group believes through growing its business, it will be able to create opportunities and deliver value to its people. Thus, the Group encourages its employees to do their best at work and grow with the Group. Melco International builds employees' loyalty through recognition, involvement and participation. Melco International's people policy, systems and practices are directly aligned with the Group's mission and values which contribute to its success.

## INTERIM DIVIDEND

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

For the six months ended 30 June 2019, the Group recorded a profit attributable to shareholders of HK$462.1 million. The Board has resolved to declare an interim dividend of HK6.11 cents per share for the six months ended 30 June 2019 to shareholders whose names appear on the Register of Members of the Company on Thursday, 19 September 2019. The dividend is expected to be paid on Friday, 4 October 2019.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 17 September 2019 to Thursday, 19 September 2019, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 16 September 2019.

## CORPORATE GOVERNANCE

In 2005, the Company adopted its code on corporate governance (the "Company Code"), which sets out the corporate standards and practices used by the Company in directing and managing its business affairs. The Company Code was prepared and revised from time to time with reference to the principles, code provisions and recommended best practices stipulated in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company Code not only formalizes the Company's existing corporate governance principles and practices, it also serves to assimilate practices with benchmarks prescribed by the Hong Kong Stock Exchange, ultimately ensuring that the Company runs a highly transparent operation and is accountable to its shareholders.

Apart from the deviations mentioned below, the Company has complied with the Company Code and the code provisions of the CG Code during the six months ended 30 June 2019:

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

(2) Following the retirement of Dr. Tyen Kan Hee, Anthony as an independent non-executive director ("INED") of the Company on 13 June 2019, (i) the number of INEDs has fallen below the minimum number of three and the number of INEDs cannot represent at least one-third of the Board, as required under Rules 3.10(1) and 3.10A of the Listing Rules and (ii) the chairman positions of the Audit Committee and the Nomination Committee have vacated such that the number of INEDs on the Audit Committee does not meet the majority requirement under Rule 3.21 of the Listing Rules and the Nomination Committee does not meet the chairmanship requirement under Paragraph A.5.1 of the CG Code. The Company strives to identify a suitable candidate to fill the abovementioned vacancies as soon as practicable and in any event within three months from 13 June 2019.

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; and
g. Regulatory Compliance Committee.

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

## SECURITIES TRANSACTIONS BY DIRECTORS

The Company has its own code for dealing in the Company's securities by the Directors and relevant employees, who are likely to be in possession of inside information in relation to the securities of the Company (the "Code of Securities Dealings") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules. We have received confirmation from all directors of the Company that they have complied with the required standards as set out in the Code of Securities Dealings throughout the six months ended 30 June 2019.

## AUDIT COMMITTEE

The Company's Audit Committee is currently composed of a Non-executive Director and an INED. Following the retirement of Dr. Tyen Kan Hee, Anthony on 13 June 2019, the chairman position of the Audit Committee has vacated and the number of INEDs on the Audit Committee does not meet the majority requirement under Rule 3.21 of the Listing Rules. The Company strives to identify a suitable candidate to fill the vacancy as soon as possible.

The primary duties of the Audit Committee are (i) to review the annual reports, interim reports and financial statements of the Group and to provide advice and comments thereon to the Board; (ii) to review and supervise the Group's financial reporting process; and (iii) to oversee the Group's risk management and internal control systems. The Audit Committee has reviewed the unaudited interim results of the Group and the interim report for the six months ended 30 June 2019.

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

During the six months ended 30 June 2019, the Company repurchased a total of 6,000,000 shares of the Company at an aggregate consideration of approximately HK$95,559,000 (before expenses) on the Hong Kong Stock Exchange. All the repurchased shares were subsequently cancelled.

Particulars of the repurchase during the period are as follows:

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

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

Save as disclosed above, during the six months ended 30 June 2019, 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 months ended 30 June 2019 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants by Ernst & Young, the Company's auditor, whose independent review report will be included in the interim report for the six months ended 30 June 2019.

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

This announcement is published on the Company's website (www.melco-group.com) and the Hong Kong Stock Exchange's website (www.hkexnews.hk). The interim report for the six months ended 30 June 2019 will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Hong Kong Stock Exchange in due course in accordance with the Listing Rules.

## BOARD OF DIRECTORS

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

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

Hong Kong, 30 August 2019